

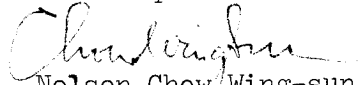
A COMPARATIVE STUDY OF SOCIAL SECURITY SYSTEMS  
IN EAST AND SOUTHEAST ASIAN COUNTRIES

## Acknowledgements

In preparing this thesis, I have received the assistance of many persons in Hong Kong as well as other places in East and Southeast Asia. They include academics, government officials, field workers and social security beneficiaries, to all of whom I owe sincere gratitude for their generosity in supplying me with information and opinions, though I am unable to name them individually. However, I would like to express my thanks specially to Professor Peter Hodge, my supervisor and Head of the Department of Social Work at the University of Hong Kong for his encouragement and guidance during the years while I worked on my thesis, and to Miss Lee Hei-man who supervised me during Professor Hodge's leave.

## DECLARATION

I hereby declare that this thesis represents my own work and I have not previously included it in a thesis, dissertation or report submitted to the University of Hong Kong or any other institution for a degree, diploma, or other qualification.

  
Nelson Chow Wing-sun  
May, 1978.



Abstract of thesis entitled "A Comparative Study of Social Security Systems in East and Southeast Asian Countries" submitted by Nelson Chow Wing-sun for the degree of Doctor of Philosophy at the University of Hong Kong in May, 1978.

The thesis is a comparison of social security systems in four East and Southeast Asian countries, namely Singapore, Hong Kong, Malaysia and the Philippines. The purpose is to compare not only the different social security provisions but also the policies adopted by the four countries in solving the problems of poverty and income protection. The need for social security exists in every society but it may be diversely expressed as a requirement for a living above subsistence, or protection in earnings-related benefits. The aim of the thesis is to examine and to compare the various formal and informal arrangements provided in the four countries to meet this common need.

National studies of the social security systems of the four countries form a substantial part of the thesis. In the national studies, social, economic and political characteristics of each country is examined together with its patterns of income distribution and employment; such information is then related to the kind of strategy the country has employed in providing social security. An assumption is that while the need for income maintenance may be universally felt, albeit in greater or lesser degrees, measures taken may however vary in accordance with the differing situations of individual countries. National studies are thus necessary in a comparative study of social security systems so that provisions may be evaluated both in their national as well as international contexts.

Comparisons of the social security systems of the four countries cover a much broader scope than the narrow confines of actual provisions. Whether social security would be instituted is perceived as not being simply related to the need for such measures, nor even the availability of resources, but as a function of a host of development issues and of the ideology of those responsible for decision making. Furthermore, social security is only one of many alternatives from which a country may choose to meet the need for income protection; thus other institutions serving similar purposes also require examination and comparison with social security.

The four countries studied in the thesis represent to a certain extent other nations in the East and Southeast Asian region as Singapore and Hong Kong are both industrial cities while Malaysia and the Philippines are still predominantly agricultural. Comparisons of the four countries thus give a representative idea of the various social security measures that countries in this region may adopt to better the lives of their people by securing for them a living free from want.

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The comparative approach to study different social, political and economic systems is not new and a person whose interest goes beyond the boundaries of his own country indulges, to a greater or lesser extent, in some kind of comparison.<sup>1</sup> It is generally assumed that by comparing similar systems in different countries, one could learn much more than a study confined to only one country. The recent surge of interest in the comparative approach is also attributable to the development of communication networks which makes it wellnigh impossible for a country to look inwardly only at its own situation. On the whole, people nowadays have more chances of meeting each other, of exchanging ideas and discussing matters of common concern.<sup>2</sup> Information about other countries is more readily available and, in many instances, data about a certain system in various countries are systematically collected by some international organisations. As the availability of information is a prerequisite for comparative studies, its easy access has rendered such efforts not only feasible but also fruitful.<sup>3</sup>

The surge of comparative studies in recent years cannot of course by itself justify the value of the approach; neither could it be assumed that any topic is suitable for comparative purposes. Extreme caution is necessary in making comparisons and the following must be considered: First, it must be

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<sup>1</sup> As Swanson wrote, 'Thinking without comparisons is unthinkable. And, in the absence of comparisons, so in all scientific thought and all scientific research. None should be surprised that comparisons, implicit and explicit, pervade the work of social scientists and have done so from the beginning: comparisons among roles, organisations, communities, institutions, societies, and cultures.' Guy E. Swanson, 'Frameworks for Comparative Research: Structural Anthropology and the Theory of Action', in Ivan Vallier, ed., Comparative Methods in Sociology: Essays on Trends and Applications, University of California Press, Berkeley and Los Angeles, 1971, p. 145.

<sup>2</sup> This can be seen from the proliferation of international and regional conferences and seminars since the end of the Second World War.

<sup>3</sup> As Smelser observed, 'Modern comparative analysis in the social sciences has taken advantage of a revolutionary increase in the quantity and quality of data, the development of dozens of research techniques unavailable to them, and the proliferation of many new interpretive models and theories.' Neil J. Smelser, Comparative Methods in the Social Sciences, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1976, p. 151.



realised that no two countries are exactly alike; on the contrary, they often differ greatly from each other. Before making comparisons, one must therefore first decide the aspects to be compared and must be content with a manageable scope. Secondly, the various countries must have some common features in the aspect to be compared; there is certainly no point in comparing two systems which, though bearing the same name, vary widely in content. The third point, related to the second, is that the aspect to be compared must as far as possible be easily delineated though it may be closely interwoven with other aspects. An ill-defined boundary often makes comparison difficult.

The above are just some of the considerations of which one must be fully aware before attempting a comparative study of any system in different countries. Of course it cannot be denied that the comparative approach has its attractions as it will help enhance one's ability to 'distinguish the general from the specific, if only to identify what is "generally true" for all countries and what is unique and "specifically true" to any situation.'<sup>4</sup> Because of this element the comparative approach has been applied in the present study to the comparison of social security as it exists in four different countries in the East and Southeast Asian region. Social security is one of the oldest institutions in human society though it is variously known in different places and over different times. Today it is usually defined as measures or provisions in a society to provide people with the basic living requirements or an acceptable income when they encounter certain foreseeable or unforeseeable risks. It is not just because of the universality of social security that it has been taken as a subject for comparison; it also satisfies certain criteria which make it suitable for comparative purposes. In spite of the labyrinths surrounding the definition of social security, it performs a well-defined function in a society. The form in which it is provided of course varies from one country to another, but as measures to provide people with the means to maintain a living, they have certain elements in common which make comparison possible.

The collection of information on social security as it is variously provided in different countries has been made for a long time. Shortly after the

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<sup>4</sup> Barbara N. Rodgers, John Greve and John S. Morgan, Comparative Social Administration, London: Allen and Unwin, 1971, p.11. Merriam suggested that 'Comparative analysis (of social security) can also contribute to evaluation of an existing system.' Ida C. Merriam, op.cit., p.13.

introduction of comprehensive social security programmes in most of the industrialized countries in the early Twentieth Century, the International Labour Organisation and the International Social Security Association have concerned themselves with the promotion of social security throughout the World.<sup>5</sup> Recently, a number of comparative studies on social security systems as they exist in industrialized countries have also been made. The motivating force behind these studies is of course the close relation between industrialization and the provision of social security. In general, these studies have shown the value of the comparative approach in studying social security provisions of various countries.<sup>6</sup>

The present study attempts to extend the comparative approach to the study of social security systems in countries which have so far not been explored, namely Singapore, Hong Kong\*, Malaysia# and the Philippines, all developing countries in the East and Southeast Asian region.<sup>7</sup> As distinct from industrialized countries in the West, they share certain social, cultural and economic characteristics which have in one way or another shaped their outlook on social security and the whole issue of income protection. Special provisions for public servants in the four countries are however excluded as they are often introduced for reasons not strictly following the principles applying to the general public.

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\* Hong Kong is still a British Crown Colony but is referred to as a country in this study.

# Malaysia generally refers to West Malaysia unless otherwise specified.

<sup>5</sup> Another organisation interested in collecting and publishing information about social security is the United States Social Security Administration. Merriam observed, 'Since 1939 the United States Social Security Administration has been collecting and publishing highly summarised descriptive information about social insurance programmes in all countries of the world. For the past three years, the ISSA has assisted in the collection of data for use by the Administration in up-dating its periodic publication Social Security Programs throughout the World.' Ida C. Merriam, 'The Objectives of Social Security Research and Evaluation', International Social Security Review, Year XXIX, No.1 (1976), p.13.

<sup>6</sup> Research methods used in comparative studies on social security are examined in Chapter Two.

<sup>7</sup> Some may disagree with the classification of Singapore and Hong Kong as developing countries since these two city-states have both achieved an advanced stage of industrialization. But as they are so different from the industrially developed countries, it is even more incongruent to place them together with nations like U.S.A., U.K. or even Japan.

Another aspect which differentiates this study from others is that it aims not only at comparing different social security systems; the main interest is rather to account for the different policies which the countries compared have adopted towards meeting the need for income security. The study is thus not merely a compilation of statistics on social security provisions but a comparison of social security policies which some developing countries in Asia have developed in meeting a common and existing need.

Japan, the first country in Asia to introduce social insurance, now possesses the most developed and sophisticated social security system in the region.<sup>8</sup> The experience of Japan, both in industrialization and the subsequent income protection measures required, are however different from that of other Asian countries. Despite the fact that Japan remains a largely oriental society, the social security system it has evolved is more akin to measures in the West. This is not to say that certain features of the Japanese social security system, especially its accommodation of traditional structures and practices, would not be considered by other Asian countries while devising their own social security programmes, but they might serve best as examples and least as models to be followed.<sup>9</sup> Japan is also so affluent and industrially advanced that it has practically detached itself from most other countries in Asia. The Japanese experience is definitely worthy of attention, and deserves a study on its own,<sup>10</sup> but comparison with other Asian countries is difficult. On the other hand, Singapore, Hong Kong, Malaysia and the Philippines are selected for inclusion in the present study because they are more representative. Both Singapore and Hong Kong are large cities with a relatively short history of industrialization; they represent the aspirations of other Asian cities which are beginning to industrialize.<sup>11</sup> Malaysia and the Philippines form another category, being symbols of situations of a different nature, that is, developing economies with predominant rural populations. Both countries are dependent, economically, on the production

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<sup>8</sup> See Social Insurance Agency, Government of Japan, Outline of Social Insurance in Japan, 1976, Tokyo, 1977.

<sup>9</sup> See Kazuo Okochi, Bernard Karsh, and Solomon B. Levine, eds., Workers and Employers in Japan: The Japanese Employment Relations System, University of Tokyo Press, Tokyo, 1973.

<sup>10</sup> For a discussion of the development of social security in Japan, see Lee Yoon-gu, The Development and the Contemporary System of Social Security in Japan – Historical and Present Day Issues, Ph.D thesis, University of Manchester, 1972.

<sup>11</sup> Examples are Taipei and Seoul.

of a few primary products but they are also striving to diversify their sources of income. The problem they are facing is thus a greater control of natural resources, which is not unlike most developing countries in East and Southeast Asia.

Besides the fact that to a certain extent these four countries represent others in the region, other factors accounting for their selection for comparison are: First, since the present study is not just a compilation of data on social security provisions but a comparison of policies on social security, a study of more than four countries would be difficult to manage. Secondly, as countries are selected for their particular approach in meeting a common need, it is not necessary to include all countries in the region to avoid repetition. Thirdly, in fact not all countries in the East and Southeast Asian region have clearly defined social security systems; the choice could not but be confined to those with more readily available information on their provisions.<sup>12</sup> Based on the above considerations, Singapore, Hong Kong, Malaysia and the Philippines are included in the present study.

The last question to be examined in this introduction is the research method used by this study. It may be described as a comparative study based on documents which include national and regional plans, policy statements, government reports, working papers, project findings, statistical exercises and research studies.<sup>13</sup> Two questions naturally arise from this heavy reliance on published documents as source materials of research: Would these documents be easily and readily available and to what extent could they be trusted as true reflections of real situations? These two questions regarding the availability and reliability of source materials must be answered before proceeding with the comparison. Admittedly, social security is still in a rudimentary stage of development in the countries compared; information on the different systems may not be so well documented as in other countries with comprehensive social security systems. However, the four countries selected for comparison all possess the presence of administrative infrastructures efficient enough to ensure a steady

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<sup>12</sup> English is the main language used in publications of the four countries studied. Comparisons are thus made easier as no translation of materials is necessary.

<sup>13</sup> For a thorough discussion of comparative methods in social sciences, see Neil J. Smelser, op.cit.

flow of basic statistics not only on their social security provisions but also on other related aspects. Publications of some international organisations like the United Nations Economic and Social Commission for Asia and the Pacific, the International Labour Organisation and the International Social Security Association also help to a certain extent to further the understanding of social security provisions in the four countries.<sup>14</sup> On the whole, there is no lack of information for the purpose of the present study though their reliability has to be further explored.

It is expected that since social security is still to become an important institution in the countries compared, a certain degree of omission of information or even distortion is inevitable. On the other hand, the neglected position of social security could also be an advantage since there is then no cause for deliberate distortion of its image which so often is the case with a much more important institution. However, even when information is available and to a large degree reliable, there are still some steps before the data could be utilised. Unlike situations in developed countries where social security benefits are usually given in cash, assistance-in-kind may still constitute a significant part of social security benefits in developing countries; adjustments regarding their value will have to be made. Another difficulty with regard to the use of data is that they may not be expressed throughout the four countries compared by the same denominator. Thus, in one case, the unit of household would be used to indicate the number of people receiving assistance while, in another, the unit is the number of recipients. These variations need of course to be adjusted. Besides, data if published by governments may represent only programmes provided in the public sector and do not include those by voluntary agencies. Caution should then be exercised to ensure that provisions in the voluntary sector are not neglected. The above are but some of the difficulties that are bound to arise from having the study relying on published documents. It is not implied, however, that because of these limitations, the present study is inadequate; the purpose is rather to point out the pitfalls which one must be aware of in a comparative study of this nature.

Partly to supplement the limitations of documents as source materials, opinions of some persons concerned with the planning and administration

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<sup>14</sup> Publications produced by the various international organisations on social security and related topics are given in the Bibliographical References of the present study.

of social security in the four countries compared have been solicited.<sup>15</sup> Their opinions are of course not treated as representative but, rather, they are used to help in understanding and interpreting the basic statistics. In some instances, they help also to illuminate certain points not easily inferred from the published materials. These two sources, published and oral, thus form the basis upon which the present comparison of social security provisions in East and Southeast Asian countries is conducted.

Since the emphasis of the present study is to account for the different policies the various countries in East and Southeast Asia have adopted towards meeting a need for income security, it is deemed necessary to begin the period of study some time earlier and mostly from the Second World War; however the focus of attention is still on existing policies and measures.

The presentation of the present study falls into three parts: Following this introduction is a discussion on assumptions and theories behind the comparisons and it is divided into two chapters. Chapter One examines the various aspects of social security, specially in relation to situations in developing countries; the purpose is to clear up the many entanglements surrounding this situation. Chapter Two begins with a review of comparative studies on social security and, in particular, the methods which were employed in making the comparisons. Based on this review, two frameworks, one for studying national social security systems and the other for making cross-national comparisons, are constructed; these two frameworks are guides to the second and third parts of the presentation. The second part consists of four national case studies on social security systems in Singapore, Hong Kong, Malaysia and the Philippines. Comparisons between them form the substance of the third part with a concluding chapter on any insights or inferences arising from the comparisons. Although it is not expected that the present study would come up with any specific recommendations regarding the development of social security in the four countries compared, an overall examination of the future role of social security in East and Southeast Asia would be made and elaborated.

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<sup>15</sup> In connection with the present study, trips had been made to the International Labour Office at Bangkok and the Social Security Organisation at Kuala Lumpur. A number of persons concerned with social security in the four countries studied had also been consulted for information and opinions on their national systems. They are, however, not responsible for any remaining errors of the present study.

PART ONE  
THEORETICAL FRAMEWORK  
CHAPTER ONE  
SOCIAL SECURITY CONCEPTS AND STRATEGIES

The term 'social security' has been used inter-changeably with 'income security' or 'income maintenance'. It is an integral part of a modern economy though the need for material assistance has long been with men even before the Industrial Revolution, only nowadays in industrialising societies with their appendent features of uncertainty and anonymity, such need has become more pronounced.<sup>1</sup> Social security represents a desire of men to take care of their less fortunate fellow countrymen, particularly those left behind in the race for a higher living standard; it also indicates an unwillingness to see extreme destitution while the society as a whole has sufficient resources to prevent its occurrence. In the West, the development of social security is in many ways a reaction against the individualistic spirit of the Nineteenth Century with welfare no longer being narrowly conceived as the business of each individual but is the well-being of the whole population. And in most developing countries in the East, social security is still equated to the material or cash assistance to ensure all a living above subsistence. Social security thus represents men's striving for a more equalitarian society where everyone may have a fair, or in some cases, minimum, share of the available resources.

Social security has sometimes been thought of as an institution, but it is an institution in permanent evolution, responding to the social, political and economic conditions of each country. 'The rapid changes in social and economic life, in population structure, the improvement in living standards and the trend towards increased consumption on the one hand, and the trend towards integration and development on the other, result in a continuous adaptation of the methods and techniques used by social security in accordance with these phenomena.'<sup>2</sup> In the study of social security systems, the conflicting forces which shape their diverse courses of development form the prime areas of consideration.

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<sup>1</sup> See Eveline M. Burns, Social Security and Public Policy, McGraw-Hill, New York, 1956. Although written more than twenty years ago, Burns' work remains one of the most thorough studies in the field of social security.

<sup>2</sup> Richardo R. Moles, 'Social Security and Economic Planning' in International Social Security Association, The Planning of Social Security, Studies and Research No.2, Geneva, 1971, p.77.

## 1. Definitions

As countries vary greatly from one another in their provisions under 'social security', there is no one definition which is applicable to all. Definitions on social security can be found in proceedings or declarations of international conferences on social security but they usually represent the wish or an agreed commitment of participants rather than reflect the actual provisions in those countries. Still, these definitions do give some ideas of the scope of social security; for example, Article 5 of the 1944 Conference of the International Labour Conference states:

The range of contingencies to be covered by compulsory social insurance should embrace all contingencies in which an insured person is prevented from earning his living, whether by inability to work or inability to obtain remunerative work, or in which he dies leaving a dependent family, and should include certain associated emergencies, generally experienced, which involve extraordinary strain on limited income, in so far as they are not otherwise covered.<sup>3</sup>

Based on the principle of the 1944 International Labour Conference, a Convention on Minimum Standards of Social Security further laid down the standards of provisions for member states ratifying the recommendations.<sup>4</sup>

The International Labour Office, in its efforts to compile data on the cost of social security, has also formulated definitions on social security. However, instead of simply defining the term, the I L O finds it more practicable to determine certain criteria which a scheme or a service has to satisfy before being considered part of a national social security system. These criteria as conceived by the ILO and formulated for the purpose of comparing different social security systems are:

- (1) The objective of the system must be to grant curative or preventive medical care, or to maintain income in case of involuntary loss of earnings or of an important part of earnings, or to grant supplementary incomes to persons having family responsibilities;

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<sup>3</sup> International Labour Office, Conventions and Recommendations, 1919–1966, Geneva, 1966, p.462.

<sup>4</sup> 'Convention on Minimum Standard of Social Security', International Labour Review, Vol. LXVI, No.4 (October 1952), pp.289–295.



- (2) The system must have been set up by legislation which attributes specified individual rights to, or which imposes specified obligations on, a public, semi-public or autonomous body;
- (3) The system should be administered by a public, semi-public or autonomous body.<sup>5</sup>

The ILO is aware of the differences between countries in their social security provisions; the above criteria would serve to limit a social security system to certain types of schemes and exclude 'the so-called non-statutory schemes, i.e. schemes not established by legislation and which provide protection against the usual risks by virtue of group schemes and personal measures such as life and annuity insurance, savings, etc.'<sup>6</sup>

Another definition that has often been used is that by William Beveridge, father of the British social security system; for him,

The term 'social security' is used to denote the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness, or accident; to provide for retirement through age, to provide against loss of support by the death of another person, and to meet exceptional expenditures, such as those connected with birth, death and marriage. Primarily social security means security or income up to a minimum, but the provision of an income should be associated with treatment designed to bring the interruption of earnings to an end as soon as possible.<sup>7</sup>

Beveridge's definition is mainly a description of the British system but his stress on social security as primarily measures to replace earnings and help bring the interruption to an end brings out both the remedial and positive aspects of social security which is more than providing for the minimum living requirements. While most developing countries are still concerned with the maintenance of a living above subsistence, the preventive or rehabilitative aspect of social security is too important to be ignored.

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<sup>5</sup> International Labour Office, The Cost of Social Security, Eighth International Inquiry, 1967–1971, Geneva, 1976, p.2.

<sup>6</sup> Ibid., p.3.

<sup>7</sup> William Beveridge, Social Insurance and Allied Services, Her Majesty's Stationary Office, London, 1942, p.120.

Another definition on social security that deserves mentioning is that given by the Social Security Administration of the United States Department of Health, Education and Welfare. Like ILO's definition, this is also made for the purpose of comparing different social security systems:

The term 'social security' . . . refers to programs established by government statutes which insure individuals against interruption or loss of earning power, and for certain special expenditures arising from marriage, birth or death. Allowances to families for the maintenance of children are also included in this definition.<sup>8</sup>

This definition is broad in scope as it attempts to include the various features of all social security programmes of the World.

Instead of formulating another definition, what would be done here is to identify some of the salient features of social security as contained in the above definitions and treat them as the definition for the present study. Special circumstances of developing countries will also be noted.

(1) A significant feature of social security is its legal backing, being in the main provided as a result of legislative enactments. It implies that social security provisions are recognised as a state responsibility and recipients are entitled to such benefits on meeting certain eligibility criteria. It should be noted, nevertheless, that in many developing countries, the provision of social security is still very much administered by charitable organisations, and is often not yet recognised as a state responsibility.

(2) Definitions quoted above recognise that risks provided for by social security vary from system to system but those most often covered are needs occasioned by unemployment, sickness, retirement, widowhood, disability, birth of children and death. Relief measures for people suffering from natural disasters are however excluded, although they are also administered by the State. Yet in view of the dimension of relief programmes which may in some developing countries constitute the major cash programme, such measures should also be considered, though not necessarily regarded as part of the national social security system.

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<sup>8</sup> Social Security Administration, United States Department of Health, Education, and Welfare, Social Security Programs Throughout the World, 1975, United States Government Printing Office, Washington, D.C., 1976, p.ix.

(3) Medical care often forms part of the national social security system. For most developing countries, however, there is usually little distinction between medical care provided by the State under social security and that for the general public. Under such circumstances, medical care would best be assessed as a part of the national health and medical care system.

(4) The objectives of social security as expressed in the above definitions are to bring incomes up to a minimum or to take the place of earnings. However, the introduction of social security in some countries often have purposes other than the above; thus an examination of the functions of social security needs not be restricted to its fulfilment of the above objectives.

## 2. The Need for Social Security

Social security has at times been regarded as 'a charitable non-productive burden borne on the back of the productive institutions of the economy' and in some developing countries, it is still taken as part of 'welfare' provided for the destitute. It is also believed that cash payments would create dependence and is an undue strain on the limited resources. Despite the above beliefs or conceptions, arguments for the institution of social security have been gathering force and they are supported on both economic and social grounds. Vladimir Rys regards the provision of social security for persons in a socially and economically disadvantaged position as 'the natural functions of society as a biological entity and one of its primary duties as an ethical entity.'<sup>9</sup> There is furthermore greater understanding of the nature of a modern, industrial economy and it has gradually been realised that in such an economy, it is no longer possible to depend on the family system to perform its traditional 'protective' roles. Richard M. Titmuss writes:

Industrialisation demanded the breakdown of the mutual relationships of the extended family. It also demanded in the interests of efficient production the denial of much of the respect that youth had formerly given to age.<sup>10</sup>

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<sup>9</sup> Vladimir Rys, 'Problems of Social Security Planning in Industrialised and Developing Countries', International Social Security Review, Nos. 2-3, 1974, p.325.

<sup>10</sup> Richard M. Titmuss, Essays on 'the Welfare State', Allen and Unwin, London, 1963, p.110.

Although families in developing countries still provide, to a greater or lesser extent, for its needy members, their traditional protective functions have been gradually eroded by the processes of industrialisation and urbanisation.

Although in Asian countries, the network of the extended family may still exist, one would wonder if the family is able to effectively handle the social protection problem of a modern society. It has to be recognised that in many cases income security measures may further upset the family structure and the relations between generations; but the growing number of old people beyond the retirement age with some living as long as 20 or 30 years, the expensive nature of modern clinics and hospital services, the situations where not only hundreds or thousands of people are unemployed or underemployed but a hundred times over, the perennial migration of youths into the cities where support of relatives is non-existent and the hazards of city life are all factors which demand an innovative method, outside or in addition to the family system, of remedy and prevention. The ILO is therefore not unjustified in viewing the mechanics of social security as consisting in 'counter-acting the blind injustice of nature and economic activities by rational, planned justice with a touch of benevolence to temper it.'<sup>11</sup>

On the other hand, some have argued for social security on the ground that it bridges the gap between the rich and the poor. It has been observed that this gap, instead of being narrowed by economic development, has actually been widened by it.<sup>12</sup> And the provision of social security is considered one of the measures to remedy the undesirable effects of economic development.<sup>13</sup> But arguing thus is not denying the fact that political and humanitarian factors are also involved, to a greater or lesser degree, in the introduction of social security. Like all other measures affecting a substantial proportion of the population, the final decision regarding its introduction is often a matter of politics taking the form of demands formulated by political parties, trade unions or pressure groups. This does not, however, imply that the decision represents only the interest of a small group of people; for societies to continue, certain crying needs must be fulfilled by some acceptable means

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<sup>11</sup> International Labour Office, Introduction to Social Security, Geneva, 1970, p.2

<sup>12</sup> See E.J. Mishan, The Costs of Economic Growth, Penguin Press, Harmondsworth, 1967.

<sup>13</sup> A plan for investigating the redistributive effects of social security systems in developing countries has been outlined by Lucila Lear de Araujo. See Lucila Leal de Araujo, 'Social Security as an Instrument of Income Redistribution in the Developing Countries', International Social Security Review, No.3, 1972, pp.243–254.

and poverty or insufficient income is one of the areas where action is demanded. Obstacles against the introduction of social security will naturally be greater in places where the social or political structure facilitates or condones the oppression of workers but most governments have found it necessary to accept the fact that social security is not a temporary political measure to be taken in exceptional circumstances, but a fundamental and permanent feature of industrialization. This explains why 'the general principle of social security is now supported by all political parties – the explanation of this wide acceptance of the general principle lies in the character of our modern industrial society – interdependent, complex, international – based on money incomes, a high degree of occupational specialisation, and a growing, dynamic society.'<sup>14</sup>

Related to the need for social security is the shortcomings of other similar arrangements like savings and private insurance. These two measures do provide people who have sufficient incomes with security over financial hazards but cannot help those with meager means. In fact, as most workers in developing countries are earning so little, it is really not possible for them to save or to contribute to private insurance where actuarial principles are adhered to. Besides, it is unrealistic to expect all people to be so careful about their future; some people are just unwilling to save or to buy any insurance policy even with the means to do so. The value of savings and private insurance in providing income security, particularly for those with moderate incomes, cannot be discarded; the most they can achieve is to supplement but not take the place of social security.

Lastly, as two of the four countries included in the present study have large rural populations, the provision of social security in an agricultural economy needs further examination. In general, certain restraints have prevented the introduction of social security in rural areas. First, the number of self-employed persons usually far exceeds that of wage earners and social security is generally not considered feasible for the former. Secondly, as for the salaried agricultural workers, since they are dispersed in location and less organised than their industrial counterparts, they will seldom initiate the action to demand income protection. Thirdly, public administration in rural areas is generally inefficient and may lack the necessary infrastructure such as adequate health facilities to administer complex

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<sup>14</sup> William Haber and Wilbur J. Cohen, eds., Social Security: Programs, Problems and Policies, Richard D. Irwin, Inc., Homewood, Illinois, 1960, p.10.

social security schemes. In addition to the above, problems of rural communities, especially those found in developing countries, are seldom that of the lack of social security but a whole complex of underdevelopment and social and economic imbalances. As the provision of social security may contribute little towards solving these problems, other measures may be seen to be more desirable. It is therefore not surprising that social security is seldom regarded as important for developing countries with large rural populations. This is not to say that the need for income protection does not exist among the rural workers but social security does seem to be less urgently needed for those working in agriculture than those employed in manufacturing.

### 3. The Strategy of Social Security

It has been mentioned already that each country has its own form of social security but it would be interesting to find out the different strategies through which it is carried out. Barbara N. Rodgers differentiates social security into the assistance method, the insurance method and universal benefits<sup>15</sup> and it is on this model that social security will be discussed with the following questions in mind: Who would be given the benefits? What are the risks provided for by a particular method? How and by whom is the scheme administered?

#### The assistance method

Through a public assistance scheme, cash benefits or benefits-in-kind are given to those in need; its purpose is to offer people the necessary means to maintain a minimum standard of living. Two questions naturally arise from the above: What is the minimum standard of living and how to decide who is in need (or to draw the poverty line)?

Seebom Rowntree once tried to define poverty and he came up with two levels: primary poverty where the income would not permit life above the lowest level at which merely physical efficiency could be maintained and secondary poverty where the income was higher than this but for reasons like careless spending, the family was still in poverty.<sup>16</sup> Since his time, a few studies

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<sup>15</sup> Barbara N. Rodgers, John Greve, and John S. Morgan, Comparative Social Administration, Allen and Unwin, London, 1971, p.235.

<sup>16</sup> Brian Rodgers, The Battle Against Poverty, Vol. 1, Routledge and Kegan Paul, London, 1968, p.52.

have been made to measure the extent of poverty and often the criterion of poverty used is the amount allowed for an individual or a family by existing public assistance schemes.<sup>17</sup> Each country has of course its own way to calculate the level of benefits provided for by public assistance and the amount given should be enough to maintain physical existence. The level does not only accord with resources available but depends also on the extent to which the general public is prepared to support the poorest sector of the population.

The main task of public assistance is to prevent destitution. Thus, people dependent on public assistance are usually those who are old, sick and disabled, who could no longer earn a living even if they are given employment. In some countries, the able-bodied are specifically excluded from being eligible; and in countries where they would be eligible, they are usually required to register for employment or when they could demonstrate their abilities to become independent again within a short period. A public assistance scheme is usually financed by the State from taxation and is the most effective method of channelling limited resources to the most needy members of society. However, of the three methods, it is also the most costly to administer as it is means-tested and involves a lot of investigation and paper work. Because recipients of public assistance have not only to demonstrate their needs but also that they have inadequate means, a certain degree of stigma is therefore attached to the recipients of the scheme, to such an extent that some may be unwilling to apply for public assistance even when they may be eligible.

#### The insurance method

In countries where social insurance has been introduced, it usually constitutes the core of the social security system. The provision of social insurance by the State began in the last Century when the first social insurance scheme was introduced in Germany in 1883. Today, social insurance has been adopted in nearly all industrialized countries and the trend has been for more and more countries to adopt this system as a method of extending income protection.

A social insurance scheme is designed primarily for wage and salary earners. It is viewed as a corrective adjunct to the free market economy

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<sup>17</sup> For example, Brian Abel-Smith and Peter Townsend, The Poor and the Poorest, Bell and Sons, London, 1960 and A.B. Atkinson, Poverty in Britain and the Reform of Social Security, Cambridge University Press, Cambridge, 1970.

in capitalist countries by interfering with the contract of employment by writing into it a mutual obligation between the employer and employed. Participating in a social insurance scheme, an employer acknowledges his obligation to protect his workers even in times of failing productive capacity for it has been recognised that a contract of employment terminating when a workman ceases to be productive is no longer appropriate in a modern industrial economy. The employed, as they are dependent on earnings, need to be taken care of even beyond their period of employment. In socialist countries where social insurance is in operation, it is taken as part of State policy to protect the well-being of the people and has often a paternalistic element in the sense that schemes are heavily subsidised by the State.<sup>18</sup>

The range of risks provided for by social insurance includes old age, sickness, maternity, medical care, survivorship, unemployment and death. The choice of one or the other items to be covered in a particular social insurance scheme is a matter of policy but the essence is to prevent drops in or the total cessation of income when the risks occur. A worker may of course insure himself by contributing to a commercial insurance scheme. The major difference between a commercial insurance scheme and a social insurance scheme is that in the latter, membership is compulsory. The principle of financial equity is also not followed in social insurance: Those contributing most need not necessarily receive proportionately higher benefits. Instead, the principle of 'pooling of risks' is emphasised, aiming to cover both good and bad risks; the inclusion of bad risks is not always possible in a commercial insurance scheme.

The administration of social insurance is extremely complicated as it involves the collection of contributions. It assumes the existence of a fairly effective taxation system through which contributions can be collected and if this prerequisite is non-existent, one needs almost to be established if social insurance is to be introduced. The contribution system in a social insurance scheme may take different forms. A tripartite system is one in which the State, the employer and the employed are all contributing. In some cases, only the employers are required to contribute; in others, the contributing parties are only the employer and employed.

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<sup>18</sup> The Russian social security system is an example. For an account of the development of the Russian social security system, see Gaston V. Rimlinger, Welfare Policy and Industrialisation in Europe, America, and Russia, Wiley and Sons, New York, 1971, Chapter 7.



Similar to social insurance are provident funds administered in a few developing countries. A provident fund scheme is essentially a system of compulsory savings in which employees and their employers pay regular contributions to a central fund; a separate account is maintained for each worker, on which interest is paid. When defined contingencies occur, such as old age, invalidity and death, the employee or his survivors receive back, generally in a single lump sum, the amount in the account. However, in a provident fund, no pooling of risks is involved and strictly speaking, it is not even insurance. The trend is now to turn provident funds into insurance schemes.<sup>19</sup>

Finally, contributions and benefits in a social insurance scheme can be flat-rate or earnings-related. The former method has been strongly recommended by some like Beveridge but the latter recognises the inequalities existing in the occupational structure and is built upon the principle that a person's standard of living in times of need should correspond to that which he is used to. Nowadays, nearly all social insurance schemes are earnings-related except in some socialist countries.

#### Universal benefits

Under this method, benefits are given to all residents or citizens, not because they are in need or have contributed, but simply because they fall into clearly defined categories. Children's allowances and old age pensions are two typical examples. This approach is the latest development and is mostly practised in developed countries where resources are more plentiful. The two important characteristics of universal benefits are that they are non-contributory and non-means-tested. They assume that certain categories of people like those beyond retirement age or families having children to bring up have special needs or expenditures. These people or families require therefore supplementary resources to meet their needs or to fulfil their responsibilities.

As a universal benefit scheme is non-means tested, it is the easiest to administer and has the advantage of minimising the stigma attached to recipients; but the disadvantage is that benefits distributed tend to be inadequate as they have to be thinned out. Universal benefits are seldom the only form of social security

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<sup>19</sup> Lump sums received under provident funds are often inadequate to provide for old age.

in a society; they usually go together with social insurance or other kinds of benefits.

#### 4. The Financing of Social Security

The provision of social security is still regarded in most countries as a form of consumption and its introduction is thus dependent on the availability of financial resources. Rys questions this stand and argues that social security should be planned in the light of social imperatives. He says:

... for only if social aspects of development are determined in the light of social imperatives and not of economic constraints, will it be possible to change present (social security) planning practice and approach the task with greater realism.<sup>20</sup>

The usual excuse that social security could not be provided because of lack of financial resources is hence debatable and reflects, in most instances, a deliberate neglect of the social aspects of development by the planners. The general picture is that the richer and more developed countries usually make available proportionately higher percentages of resources for social security; some countries nevertheless deviate from this pattern, an example being U.S.A. which, though the richest country in the World, lags behind many others in its expenditure on social security.<sup>21</sup> The situation of some selected countries in 1970–71 is shown as follows:

##### Receipts of social security of selected countries in 1970–71

Country	% of GDP	Country	% of GDP
Australia	9.9	Philippines	1.7
Czechoslovakia	18.1	Singapore	5.9 ✓
Germany (Fed. Rep.)	18.0	Sri Lanka	5.3
India	3.1	Sweden	25.2 ✓
Israel	11.0	United Kingdom	14.6 ✓
Japan	8.1	USA	11.7
Malaysia	6.5	USSR	12.2
New Zealand	11.8	Zambia	4.0

Note: For Czechoslovakia, Federal Republic of Germany, Malaysia, Sweden and USSR, the year is 1970.

Source: International Labour Office, The Cost of Social Security, 1967–71, Eighth International Survey, Geneva, 1976, Table 2.

The financing of social security comes from three sources: The State, the employer and the employed. Whether one or the other of the possible

<sup>20</sup> Vladimir Rys, op. cit., p.326.

<sup>21</sup> For a study on national differences in social security spending, see Harold L. Wilensky, The Welfare State and Equality, University of California Press, Berkeley and Los Angeles, 1975.

combinations of the three sources would be employed depends on the nature of a particular scheme. Generally, public assistance schemes are solely financed by the State and its function is to provide those without any means with a basic living standard. The level of assistance will normally be lower than the income an individual or the breadwinner of a family can earn if he is employed. Since public assistance aims at relieving poverty caused by old age, sickness, survivorship, disability and death, applications for assistance should be rather steady as the incidence of risks provided for is normally very regular. If the unemployed and those earning low incomes may also apply for assistance, expenditures on the scheme will then fluctuate in response to the ups and downs of the employment situation. Countries vary, of course, in their methods of tackling the problem of unemployment and the provision of public assistance is one of the means often resorted to.

Like public assistance, universal benefits are often financed by the State. As they are non-means tested, a portion of resources is therefore distributed to some who may not need them. The introduction of such schemes are more appropriate in countries where resources are more plentiful and where people are prepared to support those, without any discrimination of means, who are presumed to have special needs resulting from causes like old age and the responsibility to bring up children. Even in some affluent countries, benefits distributed by this method are inadequate to provide for the needs they aim to meet. They are more often viewed as a supplement to other benefits of social security than the basic kind of assistance given.

The financing of social insurance is a much more complicated matter than public assistance and universal benefits as it involves contributions. Funds may come from the State, employers or the employed depending on the nature of a particular scheme and the form of financing may be funded or pay-as-you-go (PAYG). In the former, funds are accumulated and may be used for investment; payments will not usually be made until the insured have qualified by contributing over a lengthy period. A PAYG scheme, on the other hand, builds up no capital for investment; funds collected are immediately distributed for payments to beneficiaries whose entitlement to benefits is normally not based on lengthy contributing periods. The principle behind a funded scheme is people saving up for their own benefits, while that behind a PAYG scheme is people belonging to different generations coming together to support each other.<sup>22</sup>

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<sup>22</sup> See Eveline M. Burns, *op.cit.*, Chapter 10.

The funded method is often the first one to be introduced as it gives the impression that they are actually saving up for future needs. The disadvantages of a funded scheme is that benefits may be eroded by inflation and they may become very meager with the rising standard of living. These two disadvantages are not so obvious in a PAYG scheme which is in fact collecting contributions from the productive members of a society and distributing them to the non-productive ones. This is only possible in a country with considerable social and political solidarity.

The most common method used in collecting contributions is through wage and payroll taxes in which both employers and employees pay their contributions when earnings are collected. In such cases, the employed may treat their contributions as deferred payment which they would receive back when contingencies occur, while employers may take their share as part of the labour costs they have to include in producing goods. If the State also bears a share, it comes from public revenue. The different proportions of contributions carried by the State, the employers and the employed are determined by a combination of political, social and economic factors. The levels of contributions collected and benefits distributed through social insurance would have enormous effects on the economic system, the supply and demand of labour and goods, the distribution of resources and the role of the government in regulating the economy. All these issues will be discussed in the following section.

## 5 Functions of Social Security

T. H. Marshall, quoting from a report of the European Economic Community dated 1962, recognises two aims of social security: One to wage war on want based on the concept of need and the other to maintain incomes for those unable to work at a level comparable with former earnings.<sup>23</sup> The former aim of providing people with a minimum living standard may be seen as a general aim of social security as Haber and Cohen write:

Social security is designed to set up certain protections to those in distress and thus restore their hope and their faith and make them self-respecting, self-sustaining and valuable members of society.<sup>24</sup>

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<sup>23</sup> T.H. Marshall, Social Policy in the Twentieth Century, Hutchinson University Press, London, 1970, p.99.

<sup>24</sup> Haber and Cohen, eds., op.cit., p.13.

That social security has the aim of maintaining income for those unable to work at a level comparable to former earnings is a rather novel idea, conceived in countries with advanced industrialisation and applies especially to earnings-related social insurance schemes. In such cases, benefits distributed aim no longer to provide a minimum but to fulfil the purpose of the conservation of human resources. Social security provided in this way goes already beyond the basic aim of relieving destitution and is an integral part of a national policy towards change and development. It also has great consequences for the family structure and the economic system.

Generally speaking, survivors' benefits enable the fatherless children to continue their education, thus ensuring that the children are given the maximum opportunities to make their productive contribution to society. Benefits which assist the disabled minimise the deterioration of skills and sustain the hopes of individuals. Assistance provided for the sick lowers anxieties associated with supporting the family and holding onto jobs, and therefore helps contribute to a quicker recovery. An effective system of unemployment insurance and employment services can also reduce the time lost between jobs, preserve skills, increase productivity, and have people employed in jobs using their maximum skills.

The extent a society will benefit from social security is not absolute but is dependent on the degree of industrialisation as Gaston V. Rimlinger writes:

So long as labour is cheap and generally unskilled, the protection tends to be minimal and of a disciplinary nature. In a highly developed economy, however, welfare programmes take in the character of investments in human capital. With advancing technology and relative scarcity of labour, forms and levels of investment in human capital becomes profitable that were unprofitable under less-developed conditions.<sup>25</sup>

The function performed by social security is thus related to the degree of industrialization. Studies on the development of some of the industrial countries show that social security, and social insurance in particular, helps to provide an

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<sup>25</sup> Gaston V. Rimlinger, "Welfare Policy and Economic Development: A Comparative Historical Perspective", Journal of Economic History, No. 4, 1966, p.556.

infra-structure conducive to labour stability and worker efficiency and thus greatly enhance economic and industrial growth.<sup>26</sup>

Another function of a social security system is the redistribution of resources pointed out by Titmuss:

By interfering with the pattern of claims set in the economy by the market and by Government, social security involves some redistribution in command over resources between individuals and groups in society.<sup>27</sup>

The direction of redistribution may be vertical or horizontal. The former refers to the redistribution of resources from the richer to the poorer and the latter from those with lesser needs to those with greater needs. The extent of redistribution effected by social security depends on the way in which it is financed and also on how much benefits are given to whom.<sup>28</sup>

It has already been mentioned that the State plays an important part in the financing of social security. Since the State obtains its revenue from taxation, and taxes may be progressive or regressive depending on how they are levied, it is difficult to tell exactly the direction incomes or resources are redistributed through the contribution of the State. However, since the wealthy are often paying more taxes, it would not be far from wrong to assume that funding by the State is generally progressive with more resources taken from the rich than from the poor. Different percentages contributed by employers and employees are other factors which influence the direction of redistribution. If wage and payroll taxes are used to finance social security and if flat-rate contributions are made, the lower income groups will be at a disadvantage as they are, in fact, paying proportionately more; but if contributions are earnings-related and tip in favour of those earning less, there will be progressive redistribution.

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<sup>26</sup> Walter Galenson in a study on social security and economic development reports that it is at the intermediate range, that is, among countries which have attained self-sustaining growth, but not those with a high level of industrialisation, that social security expenditures have the greatest potential for raising productivity and promoting economic growth. See Walter Galenson, 'Social Security and Economic Development: A Quantitative Approach', Industrial and Labour Relations Review, Vol. 21, No.4 (1968), pp.559–569.

<sup>27</sup> Richard M. Titmuss, Commitment to Welfare, Allen and Unwin, London, 1968, p.173.

<sup>28</sup> See Adrian L. Webb and Jack E.B. Sieve, Income Redistribution and the Welfare State, Bell and Sons, London, 1971.

The redistributive effect of social security also needs to be considered on the allocative end. In a public assistance scheme, as it is means-tested, the lower income groups will generally benefit more; in graduated schemes, those of the higher income groups may seem to receive more, though actually they may be receiving less than they have contributed. Universal benefits, since they are not means-tested, are the least progressive among the three approaches; they succeed however in giving benefits to those who have special needs.

The functions performed by social security must in fact be evaluated in relation to policies in other areas of the country where it is provided. The close relationship between social security and economic policy has already been mentioned: In developed countries where expenditures on social security account for a substantial proportion of the gross domestic product, social security payments have the effect of maintaining purchasing power and have special significance in periods of declining consumer demand and employment. However, high social security payments would imply an increase in contributions and therefore a decline in the purchasing power of the population as a whole. Nevertheless, the existence of a social security system does have the effect of ensuring a more stable demand for, and therefore supply of, goods and services than is possible in a society where the free market is the only or the predominant regulator of the economy. Social security expenditures in developing countries are generally insignificant in proportion to the size of the economy but in places where provident funds exist, they often serve as an important source for domestic borrowings.

Another much debated issue is centered around the lowered incentive to work and to save allegedly caused by the provision of social security. It must, however, be pointed out that in many countries, particularly the developing and the underdeveloped, social security affects mainly the living standard of the lowest income groups, most of whom are already non-productive members like the old, the sick and the disabled. Their problem is usually how to maintain a minimum living standard. These people have also little to save even when they are working as their earnings are often very low. So, the problem of incentive concerns mainly countries with a comprehensive social security system and a more sophisticated industrial structure. In these countries, the propensity to save does tend to decline when people are guaranteed an acceptable living standard in contingencies; but the effect is only marginal and seems to affect those who are already earning comparatively reasonable incomes.

## 6. Indicators for Social Security Planning

So far, the provision of social security has been argued on ethical grounds and, at times, on grounds that this may conserve human resources and enhance industrial relations. The enormous amount of resources now spent on social security, especially in most highly industrial societies, nevertheless demands an objective assessment of the performance of social security provisions and, in particular, the guidelines for their future development. In other words, a set of indicators useful to social security assessment and planning is now required. This coincides in general with the social indicators movement begun in the late 1960s with the aims of providing tools for measuring non-economic variables and making it possible to report on life qualities based on qualitative statements.<sup>29</sup>

The Organisation for Economic Co-operation and Development (OECD) has been one of the international organisations concerned with the development of social indicators. It has once defined the 'goal areas' that one should be concerned with in developing social indicators and grouped social security under the area of 'command over goods and services'.<sup>30</sup> Others have, however, admitted that since there is no definite idea regarding the 'quality of life' as it varies according to the weight or value attached by individual persons to each of the components comprising the concept, any attempt to quantify it would hardly be of any practical value. Besides, a report on the 'quality of life' or 'social performance' of policy issues would inevitably presuppose some agreed statements on the aims of societal development, but in most countries these are not readily available or, in some cases, they may represent the ideas

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<sup>29</sup> For discussions on the social indicators movement, see Michael Springer, 'Social Indicators, Reports, and Accounts: Towards the Management of Society', The Annals of the American Academy of Political and Social Science, March, 1970 and C.A. Moser, 'Some General Developments in Social Statistics', Social Trends, No.1, Central Statistical Office, London, 1970.

<sup>30</sup> See International Social Security Association, Current Issues in Social Security Planning, Studies and Research No.4, Geneva, 1973, p.71. As early as 1954, a United Nations expert group recommended social security to form one of the twelve components in measuring the levels of living; see Report on International Definition and Measurement of Standards and Levels of Living, United Nations, New York, 1954.



of only a sector of the population. It is to overcome these uncertainties that has begun the social indicators movement as Rys says:

... the dominant idea behind the (social indicators) movement is the desire to overcome the state of uncertainty as to the future development of society, to find a yardstick by which to measure social evolution, to estimate at least with some degree of scientific precision the magnitude of social problems which beset society, and to develop tools which would make it possible to deal with them in a rational manner.<sup>31</sup>

As the development of indicators is still in general in its rudimentary stage, not much progress has yet been made in the area of social security except in identifying problems and in delineating the areas where investigation may begin. The Commission of European Communities is one of the organisations that have made some progress in the development of social security indicators, but they are taken merely as numerical expressions of the significant aspects of social security. The areas of investigation as conceived by the Commission include the structures, individual benefits and evolutionary trends of social security schemes in its member countries. On the other hand, the International Social Security Association, as represented by Rys' writings, recommends the construction of social security indicators focused on, first, the functional efficacy of benefits and, second, the psychological impact of these measures on the individual, group and societal level.<sup>32</sup> Indicators for the former would probably be easier to construct provided that information on the level of benefits and the general living standard is available; but indicators for the latter would require a higher degree of sophistication as it is heavily charged with value judgments.

While developed and highly industrialized countries are not yet ready with a set of indicators for assessing the performance of their social security schemes, much less progress could be expected of developing countries where social security is still, in many cases, provided on an ad hoc basis and loosely organised. Some have suggested the social development in developing countries may have greater need for measurement by indicators than specific areas like social security as the problems in these countries are closely

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<sup>31</sup> Vladimir Rys, 'Social Indicators and Their Application to Social Security', in International Social Security Association, Current Issues in Social Security Planning, Studies and Research No. 4. Geneva, 1973, p.58.

<sup>32</sup> Ibid.

inter-related.<sup>33</sup> And in the present circumstances, the formulation of social security indicators in developing countries would probably meet with little success.

## 7. Social Security and Social Welfare

The last question to be examined here is the relation between social security and welfare services. In countries where assistance-in-kind is still the predominant form of security provided, it usually takes on a strong sense of welfare, with those dependent on assistance being at the same time inadequate in other ways. This close association between material and financial assistance and other forms of welfare services develops when resources are scarce and those eligible for a particular welfare service need first to demonstrate their insufficiency in means.

The modern trend has been to separate provisions for financial need from the list of welfare services. In some developed countries, it is no longer necessary for people to demonstrate insufficient means to be eligible for a particular welfare service. This arrangement has two advantages: Those who are in need of a particular welfare service will not be barred from its use for having an income above public assistance eligibility level; secondly, those who are dependent on assistance do not have to feel that they are necessarily inadequate in other aspects. John E. Mayer and Noel Timms have found that some clients might feel that they would be eligible for the granting of money only if they were willing to talk about their personal problems.<sup>34</sup> However, this separation is not without its disadvantage as it is simply unrealistic to talk about social security, particularly public assistance, in terms of a purely financial service without taking into account related social and psychological problems of the recipients. This dilemma has been clearly pointed out by Titmuss:

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<sup>33</sup> See United Nations Research Institute of Social Development, Contents and Measurement of Socio-Economic Development, Report No. 70.10, Geneva, 1970. Also, articles on development indicators in The Journal of Development Studies, Vol. 8, No. 3 (April, 1972).

<sup>34</sup> See John E. Mayer and Noel Timms, The Client Speaks, Routledge and Kegan Paul, London, 1970.

To impersonalise social security programme, that is, to provide cash benefits as of right with the minimum of forms, rules and regulations can mean a loss of personal contact with consumers. . . . Thus opportunities may be lost of 'reaching the hard to reach'; of providing knowledge about other services; of diagnosing unmet needs. On the other hand, we have to recognise the fundamental importance of providing impersonally and as of right, adequate social security benefits. To the consumer this is an essential freedom.<sup>35</sup>

Olive Stevenson also notes that 'the problem of some individuals are so intertwined as to make a total separation of financial from other social services not only impracticable but undesirable if their welfare is to be genuinely safeguarded.'<sup>36</sup> If such is the case for developed countries, it is the same with developing countries where public assistance may be the only social security programme available. In the latter, not only family and child welfare but also the provision of housing, medical and health, and education services may sometimes be regarded as performing similar functions as social security. One would therefore doubt the wisdom of treating cash assistance as a separate item while the need is for a whole range of social services. However, as social security develops to include not only public assistance but a myriad of contributory insurance schemes, and those eligible for benefits no longer limited to people of inadequate means, the administration of social security should be separated from agencies concerned with the provision of welfare services.

The above analysis looks at the various aspects of social security and issues governing its provision. The particular circumstances of developing countries have also been noted in as far as they influence the need for income protection. The analysis necessarily takes a broad perspective but it should form a theoretical basis for the examination of social security systems of the four countries included in the present study and for the comparisons of the different systems.

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<sup>35</sup> Richard M. Titmuss, Commitment to Welfare, op.cit. p.69.

<sup>36</sup> Olive Stevenson, Claimant or Client, Allen and Unwin, London, 1973, p.36.

CHAPTER TWO  
MODELS OF COMPARATIVE STUDIES

1. Information on Social Security Provisions  
Throughout the World

Ever since the introduction of social insurance in the last century, information on social security provisions in countries throughout the World has been systematically collected by several international organisations. One of these, the International Social Security Association (ISSA) which until 1947 bore the name of 'International Social Insurance Conference' (CIMAS), was founded at Brussels in 1927. The Association aims 'to co-operate, at the international level, in the protection, promotion and development of social security throughout the world, through its technical and administrative improvement,' and to achieve this, it publishes reviews, bibliographies and abstracts on the development of social security provisions of its members and conducts periodical conferences and seminars for the exchange of information and ideas.<sup>1</sup> Members making up the Association consist of government departments, central institutions, national unions of institutions or of mutual benefit societies administering social security. The Association has now over 300 affiliated and associate members, covering 500 million persons in about 100 countries.<sup>2</sup>

Another international organisation concerned with the provision of social security is the International Labour Organisation (ILO). Since its formation between the two World Wars, the ILO, and its Office, has been an advocate for better social security provisions and a higher level of benefits in its member countries. The subject of social security has also been raised and

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<sup>1</sup> The Association publishes the quarterly International Social Security Review in English, French and German, containing articles, studies and the latest information in the development of social insurance throughout the World. The World Bibliography of Social Security is published quarterly, supplemented by the Documentation Series containing specialised bibliography on particular aspects of social security. The Association also publishes at irregular intervals the Asian News Sheet and a collection entitled Studies and Research.

<sup>2</sup> The General Assembly of the Association, composed of up to five delegates from each member organisation, meets every three years. In between, major decisions are made by the Bureau which meets at least once a year. Regional committees have also been set up to meet particular needs of the African, American and Asian continents.

discussed in conferences of the ILO, an example being the Convention on Minimum Standards of Social Security in 1952.<sup>3</sup> Information and research reports on social security throughout the World appear regularly in the *International Labour Review* and official bulletins of the ILO, while surveys on the cost of social security have been carried out since the early 1950s, the latest report being published in 1976.<sup>4</sup> Apart from these, the ILO has been publishing technical papers<sup>5</sup> and reports of seminars and conferences on social security conducted in different regions of the World.<sup>6</sup> However, the major task of the ILO in this area is to provide member countries with technical assistance in organising new schemes and improving on the existing ones.

Another organisation worth mentioning is the Social Security Administration of the United States Department of Health, Education and Welfare (US Department of HEW). This Administration publishes every two years comprehensive and up-to-date information on social security in practically every country in the World, and produces technical papers and reports related to the provision and administration of social security.<sup>7</sup> In addition to the three organisations already mentioned, various departments or divisions of the United Nations and its subsidiary organisation have also occasionally concerned

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<sup>3</sup> See news on the Convention in *International Labour Review*, Vol.66, No.4 (October, 1952), pp.290–295.

<sup>4</sup> Information and articles contained in the *International Labour Review* include news on the latest development of social security provisions in member countries, national case studies, e.g. M.S. Lantsev, 'Social Security in the USSR', *ILR*, November, 1962, pp.453–466; and general comments, e.g. Guy Perrin, 'Reflections of Fifty Years of Social Security', *ILR*, March, 1969, pp.249–292.

<sup>5</sup> For example, *International Survey of Social Security*, NS 23, International Labour Office, Geneva, 1950 and *Social Security in Agriculture*, NS78, International Labour Office, Geneva, 1972.

<sup>6</sup> For example, *Social Security, National Economy and Planning*, Report on the ILO/NORAD Asian Regional Seminar, Quezon City, Philippines, International Labour Office, Geneva, 1975.

<sup>7</sup> For example, U.S. Department of Health, Education and Welfare, *The Role of Social Security in Economic Development*, U.S. Government Printing Office, Washington, D.C., 1968.

themselves with social security, especially in relation to poverty and health.<sup>8</sup> However, present information and studies on social security are mostly related to technical subjects like the level of provisions, qualifying conditions, sources of finance and the administrative machinery; and because resources allocated for social security have increased enormously in recent years, some research studies have also been initiated to examine the relationship between social security and economic development.<sup>9</sup> Nevertheless, little attention has been given to the social impacts of social security though it has generally been acknowledged that its provision is closely related to the societal structure, particularly the family system.

On the other hand, in the process of collecting and publishing information on social security throughout the World, the ISSA, the ILO or the U.S. Department of HEW inevitably find themselves comparing various countries and systems. The ILO, in its seventh enquiry of the cost of social security states that one of its objectives is 'to provide an international comparison of the data by determining the trends in social security costs for the various countries during the period covered by the series of inquiries and by comparing the distribution of the cost of social security between different sources of revenue and between different types of social security schemes.'<sup>10</sup> Though the focus of the enquiries is on the financial aspect of social security, the fact that different countries are compared suggest that the various systems share between them common features.

## 2. Comparative Models

The comparative approach in studying different political, social and economic systems is not new and, as has been stated, any person whose interest goes beyond the boundaries of his own country indulges, to a greater or lesser extent, in some kind of comparison. However, studies of different

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<sup>8</sup> For example, Assistance to the Needy in Less-developed Areas: A Survey of Methods of Administering Assistance in Various Countries, U.N. Department of Economic and Social Affairs, New York, 1956.

<sup>9</sup> For example, the series of articles published under the heading 'Approaches to Social Policy Planning' in the Bulletin of the International Institute for Labour Studies, No.7, 1970 and No.8, 1971. Also, International Social Security Association, Social Security and National Economy, Studies and Research No.4, Geneva, 1970.

<sup>10</sup> International Labour Office, The Cost of Social Security, 1964-66, Seventh International Enquiry, Geneva, p.2.

social services systems and attempts to compare them are rather few in number.<sup>11</sup> Still, allusions by historians to welfare policies adopted and practised in various countries often contain abundant information on different social services arrangements, an example being J.S. Furnivall's Comparative Study of Colonial Policy and Practice in Burma and Netherlands India.<sup>12</sup> The gravest difficulty encountered in comparative studies is thus not so much the lack of basic information on a particular system but the absence of a framework that would give the information meaning and lead to understanding of the significance of the system within its national context and in comparison with other countries. It is the aim of this study to construct such a framework in the area of social security; a framework that would make cross-national studies meaningful without overlooking the differences existing between various countries. However, before such a comparative framework could be constructed, it would be worthwhile to review the studies that have attempted to compare different social services systems and the methods or approaches they have used. These studies include Ronald Mendelsohn's Social Security in the British Commonwealth,<sup>13</sup> Barbara N. Rodgers' (in collaboration with John Greve and John S. Morgan) Comparative Social Administration,<sup>14</sup> Gaston V. Rimlinger's Welfare Policy and Industrialization in Europe, America and Russia<sup>15</sup> and P.R. Kaim-Caudle's Comparative Social Policy and Social Security.<sup>16</sup>

Mendelsohn's work was published in 1954 and it is 'a study of the way in which four countries have tried to prevent or alleviate poverty.'<sup>17</sup> The four countries compared are Great Britain, the Dominions of Canada,

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<sup>11</sup> This is owing to the relatively short history of the provision of social services which have only become important in some of the Western countries since the turn of the present century.

<sup>12</sup> J.S. Furnivall, Colonial Policy and Practice, a Comparative Study of Burma and Netherlands India, Cambridge University Press, Cambridge, 1948.

<sup>13</sup> Ronald Mendelsohn, Social Security in the British Commonwealth: Great Britain, Canada, Australia, New Zealand, Athlone Press, London, 1954.

<sup>14</sup> Barbara N. Rodgers, John Greve, and John S. Morgan, Comparative Social Administration, Allen and Unwin, London, 1971.

<sup>15</sup> Gaston V. Rimlinger, Welfare Policy and Industrialization in Europe, America and Russia, Wiley and Sons, New York, 1971.

<sup>16</sup> P.R. Kaim-Caudle, Comparative Social Policy and Social Security, Martin Robertson, London, 1973.

<sup>17</sup> Ronald Mendelsohn, op.cit., p.1.

Australia and New Zealand. Mendelsohn gave no specific reason for selecting the four countries except saying:

. . . . in part that in some respects these countries have been pioneers; in part that they offer contrasts among themselves, since each country is at a different stage of development, and the comparative method permits a separation of the permanent from the presumably transient features of their systems; and finally, because comparison is facilitated by the similar social structure of the four countries. <sup>18</sup>

He started by studying the four countries separately, areas covered in each national study including the setting, the development of social services, present social security provisions, the administrative machinery and other related issues. Following the national studies are comparisons of the different social security systems regarding the types of risks covered, the forms of administration, the place of voluntary action, and the relationship between social security and the national economy. The last chapter is a general discussion about the social security movement as revealed by the study of the four countries.

The method adopted by Rodgers in her study of social services provisions in France, Norway and Canada also combines national case studies with cross-national comparisons. Rodgers sees the significance of the comparative approach in enhancing one's ability to 'distinguish the general from the specific, if only to identify what is 'generally true' for all countries and what is unique and 'specifically true' to any situation.'<sup>19</sup> Rodgers also thinks that it would 'lead one to new interpretations and fresh evaluations of his country's social system.'<sup>20</sup> Besides, a comparative study of social services is for Rodgers not only concerned with the objectives of the provisions or even their operation and achievements, but national policies as social services form 'an integral part of modern society, influencing and influenced by those economic, political and social factors which determine the particular society within which they have developed.'<sup>21</sup> In other words, demographic, political, social, economic and administrative factors should also be considered in a comparative study of social services provisions. The inclusion of this wide range of factors indeed looks formidable, but it seems that the selection of relevant information from various

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<sup>18</sup> Ibid.

<sup>19</sup> Barbara N. Rodgers, op.cit., p.11.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid., p.12.



sources and the use of such material in a meaningful way is what a comparative study is about.

It has been mentioned that national studies form an important part of Rodgers' work; the aim of these studies is to give 'an assessment of the direction in which a country is moving in response to changing circumstances,' and this is seen to be 'of more interest and importance than any attempt to quantify the incidence and distribution of its social expenditure at any given time.'<sup>22</sup> Rodgers stresses that for comparisons to produce any meaning, examinations must be made on what has been going on in the countries over a considerable period and not just the phenomena at a given time. In fact, one of the purposes of having national studies in a comparative work is to avoid the danger of making distorted comparisons as a result of cutting across countries at a particular point. Another point made by Rodgers, particularly in relation to social security, is that:

In considering a social institution of this importance, with so highly charged a political content, care must be taken, from the beginning, to make a distinction between a straight-forward descriptive comparison seeking explanation of causal links and relationships, and an evaluative comparison aiming at the establishment of scales by which to judge the respective merits or shortcomings of individual members of the universe observed.<sup>23</sup>

The first objective of establishing causal links and relationships would probably be far more difficult than the second objective of judging the respective merits and shortcomings of different schemes. But, it would be very useful if both objectives could be achieved in a comparative study.

Rimlinger's comparative study of the development of social security systems in Europe, America and Russia has a different approach. Rimlinger's method is largely historical, drawing heavily from both official and unofficial documents and writings, while tracing the particular forms of social security developed in the countries compared. An assumption which links up the entire study is the existence of economic insecurity in all industrializing countries, as Rimlinger states:

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<sup>22</sup> Ibid., p.226

<sup>23</sup> It was a quotation from Vladimir Rys. See Vladimir Rys, 'Comparative Studies of Social Security: Problems and Perspectives', Bulletin of the International Social Security Association, Nos. 7-8, 1966.

The problems of economic insecurity are similar in all industrializing countries, but the response to them differs widely: The main objective of this study is to explain the forces that have shaped modern social security systems; it is a comparative historical analysis of the responses to the challenge of insecurity in different environment.<sup>24</sup>

Rimlinger's work is divided into three main parts. The first part broadly discusses the issue of social protection in Europe and America and, in particular, the evolution of relief policies as a response to the Industrial Revolution. The major concern of the work lies, however, in the second part which consists of three national studies on Germany, America and Russia. Various social security systems are then discussed in the third part with special regard to the different economic systems; it is observed that social security constitutes an essential and important component of a modern industrial economy independent of all other aspects. Rimlinger's study is focussed, in fact, not so much on the level of existing provisions as on the forces that have moulded their development.

In the attempt to account for the forces that have shaped the particular forms of social security in various industrializing countries, Rimlinger adheres to four main themes which may also be described as his comparative perspective.<sup>25</sup> Firstly, Rimlinger sees the problem of want as the major single factor accounting for the introduction of income security measures while countries moved from a pre-industrial society to mature industrialism. Secondly, the issue of class relations is considered equally important as the need for income security in determining the evolution of social protection: It is argued that the idea of protection developed as people were no longer held in subjection by the ruling classes and began to exert their right to a fair share of the growing wealth. Thirdly, social security provisions are seen as directly affecting the quantity and quality of a country's manpower resources and are related to its economic and national objectives. Fourthly, prevailing economic and social theories are viewed as sources from which one must look for an explanation of social security provisions in a country. Though these four themes may not be applicable to the situations in developing countries in the East and Southeast Asian region, they nevertheless indicate some of the directions in making national studies as well as comparisons. An example of the inapplicability of the themes is: While class relations in industrializing countries in the West may largely be interest conflicts within the same race, they may be in developing countries in the East a struggle

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<sup>24</sup> Gaston V. Rimlinger, op.cit., p.7.

<sup>25</sup> Ibid., pp.7-10.

for national independence and freedom from foreign exploitations. Also, in developing countries, the expressed economic and social theories may not have the same significance as traditional and cultural practices. However, Rimlinger's interest is not confined to the four main themes: In making comparisons, he also attempts to answer the following questions: Who are those protected by social security? Who are paying for the benefits? How is the system administered? Answers to these questions are in fact necessary to make explanations possible.

Kaim-Caudle's work represents another approach to the comparison of social security provisions as they exist in industrialised countries. The discussion is mainly centred on provisions with regard to the types of risks covered. Unlike Rimlinger, the interest of Kaim-Caudle's work is on existing provisions rather than the forces that have shaped their development. Kaim-Caudle finds certain difficulties while comparing different social security systems:<sup>26</sup> Firstly, data on social security are often out of date by the time of publication; secondly, there is still no consensus on the definition of social security so that one may be comparing different provisions though they are all known as 'social security'; thirdly, expenditures on social security are often computed as a proportion of a country's gross national product (GNP) but as GNP is itself a very unsatisfactory indicator for comparisons, the attempt to decide whether one country is spending more than another on social security may be futile. Kaim-Caudle suggests that a method to overcome these difficulties is to ascertain the per capita expenditure of these countries on social security at constant prices over a number of years; in this way, it will be possible to compare the relative levels as well as the changes in provisions.

In making comparisons of social security provisions of various countries, Kaim-Caudle first gives brief information on their demographic and economic situations.<sup>27</sup> He is, however, on the whole very hesitant about pinpointing the decisions that have accounted for particular forms of development as, in his opinion, 'government decisions are cloaked in secrecy, and the material for a critical examination of why a particular decision was taken is often not available.'<sup>28</sup> Such difficulties seem to be inevitable in any study of this nature; on the other hand, a straight-forward description of social security provisions in

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<sup>26</sup> P.R. Kaim-Caudle, op.cit., Chapter III.

<sup>27</sup> The countries compared are Germany, Austria, Denmark, The Netherlands, New Zealand, Australia, United Kingdom, Ireland, Canada, and U.S.A.

<sup>28</sup> P.R. Kaim-Caudle, op.cit., p.290.

various countries, without regard to their particular forms and purposes, often has but limited value. In fact, if factors which explain the differences between provisions in various countries, as pointed out by Kaim-Caudle, are a 'conglomeration of ideology, history and the sway of pressure groups of various kinds,' attempts to find out these factors would be richly rewarding.

The last work that should be mentioned, apart from the above, is Harold L. Wilensky's recent study of the social security spending of 22 'rich' nations.<sup>29</sup> The objective of his study is to account for the variations that exist between practices by establishing correlations between social security spending and other aspects of societal development. His conclusion is:

Over the long pull, economic level is the root cause of welfare-state development, but its effects are felt chiefly through demographic changes of the past century and the momentum of the programs themselves, once established. With modernization, birth rates declined, and the proportion of aged was thereby increased. This increased importance of the aged, coupled with the declining economic value of children, in turn exerted pressure for welfare spending. Once the programs were established they matured, everywhere moving toward wider coverage and higher benefits. Social security growth begins as a natural accompaniment of economic growth and its demographic outcomes; it is hastened by the interplay of political elite perceptions, mass pressures, and welfare bureaucracies.<sup>30</sup>

Since Wilensky is interested in 'rich' nations, his method of establishing correlations seems to be of little practical use to countries which have only begun their processes of industrialization and are still struggling with the basic problems of survival. However, Wilensky has succeeded in his study in pointing out a pattern of social security that developing countries would probably follow in future.

The diverse approaches mentioned so far suggest that no consensus has yet been reached on how a comparison of different social security systems should be made. Even the delineation of the scope of social security is not without difficulties as Rys remarks:

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<sup>29</sup> Harold L. Wilensky, The Welfare State and Equality, University of California Press, Berkeley and Los Angeles, 1975.

<sup>30</sup> Ibid., p.47.

The response of any given society to the challenge of different social risks and insecurities of human existence is so varied in its conceptual and institutional framework that it takes a great deal of effort to combine the various approaches into some coherent pattern of what could be called a national social security system.<sup>31</sup>

However, a few guidelines could still be summarised from the different approaches adopted and these include: (1) national studies are as important as cross national comparisons and they facilitate the analysis of not only a social security system within the context of an individual country but also the differences between different systems; (2) social security provisions should not be evaluated at a particular point but over a fairly lengthy period in order to acquire a historical perspective of the institution; (3) since social security is closely related to other aspects of societal development, being influenced by and influencing the structure of other sectors like the family system, the economic arrangement and class relationships, any discussion on social security must take these forces into account; (4) notwithstanding its relation to other parts of the societal structure, social security has its own central theme in that it consists primarily of measures to meet the need for income security. It is based on the above guidelines as well as other considerations that the following two models are constructed, one for conducting national case studies and the other for cross-national comparisons.<sup>32</sup>

Both models would be employed in this study and they have also been constructed with the view that they would be used in the study of social security systems of developing countries in the East and Southeast Asian region. It should be noted that probably not all items included in detail in the two models could be covered for every country studied, but so far as possible these guidelines would be adhered to in the present study.

### 3. Model for Studying National Social Security Systems

#### Section A: Social, political and economic characteristics

1. Country's or society's brief political history
2. Physical and environmental properties of society's natural setting
3. Age, sex and racial composition of society's population
4. Structure and stage of economic development
5. Role and share of public finance in society's economy
6. Society's administrative structure and institutional differentiation or complexity

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<sup>31</sup> Vladimir Rys, 'Social Security and Social Planning in Contemporary Society', in International Social Security Association, The Planning of Social Security, Studies and Research No.2, Geneva, 1971, p.23.

<sup>32</sup> The construction of these two models has been inspired by Gil's 'A Framework for Analysis of Social Policies'. See David G. Gil, Unravelling Social Policy, Schenkman Publishing Company, Cambridge, Massachusetts, 1973.

Section B: Employment pattern and income distribution

1. Distribution of employment opportunities between primary, secondary and tertiary sectors
2. Stage of industrial development and potentials for further growth
3. Wage and status allocation between different sectors of employment
4. Extent of unemployment and underemployment in society
5. Sources of distribution of income and nature of inequality
6. Extent and incidence of poverty and its identification with particular occupations or racial groups

Section C: Social services and labour legislations

1. Social services provisions and their functions in society
2. Level of society's commitment in providing for needy members of society
3. Types of legislations enacted to protect the interests of workers
4. Provisions and compensations for workers affected by occupational risks
5. Kinds and levels of occupational benefits provided and related measures

Section D: Interaction effects between social security and forces surrounding its development and implementation

1. Society's beliefs, values, ideologies, customs and traditions related to social security provisions
2. History of the development and implementation of social security, including its legislative, administrative and financial aspects
3. Political, social, economic and cultural forces in society promoting or resisting social security prior to, and following, its enactments – their type, overall strength, extent of interest, value premises, and ideological orientations
4. Other relevant policies especially those on social services provisions, economic development and poverty eradication programmes

Section E: Objectives, kinds and levels, target segments and substantive effects of social security provisions

1. Policy objectives and ideological orientations underlying social security
2. Kinds and levels of social security provisions and types of risks covered
3. Target segments of society – those at whom social security is aimed:
  - a) Numerical size of different groups of recipients
  - b) Demographic, social, economic, racial and cultural characteristics of recipients
  - c) Short- and long-range, intended and unintended effects of the provision on target and nontarget segments of society
4. Administration and finance of social security

Section F: Implications and evaluation of social security in the processes of societal development

1. Extent to which social security contributes towards the eradication of poverty
2. Effectiveness of social security in meeting needs arising from the processes of industrialization

3. Extent to which social security helps modify the allocation of resources between different income groups and over one's life time
4. Changes in family functioning, societal structure and national solidarity as associated with the provision of social security
5. Degree of harmony between social security and other aspects of national development
6. Factors favouring the expansion of social security and its future role in furthering the welfare of needy members of society
7. Specification and examination of alternative social and economic policies aiming at the same policy objectives of social security but involving alternative policy measures
8. Evaluation of social security with reference to the creation of an egalitarian and just society

### Interpretation of the model

#### Section A: Social, political and economic characteristics

This section describes a country's social, political and economic backgrounds, particularly conditions relevant to the implementation of social security. Such structural analysis is necessary as social security, itself a social institution, is closely related to other components of the societal structure such as population, the economic, public finance, and administrative systems. This description is particularly important for developing countries as they often remain subject to out-of-date structures, making the implementation of social security extremely difficult if no other obstacles exist.

#### Section B: Employment pattern and income distribution

These two aspects are examined for their direct influence on the planning and implementation of social security. Since the need for income protection is generally proportionate to the number of wage earners in society, the distribution of employment between different sectors becomes a prime factor in determining the provision of social security. For developing countries, the incidence of unemployment and underemployment also needs considering as in these countries, large number of workers may still be working in the farms and employment opportunities are insufficient to engage all in gainful occupations. Hence, an examination of social security strategies in developing countries would require in the first place a thorough discussion of the employment pattern and other related aspects like the distribution of income, the incidence of poverty and the identification of groups in greatest need of income protection.

Section C: Social services and labour legislations

Since social security is only one of the many alternatives to tackle the problem of poverty and income protection, it is appropriate to consider this together with other measures performing similar functions. And, as Rys puts it, 'the operations of a social security scheme should not be presented in isolation but seen in the context of its relationships with other aspects of development.'<sup>33</sup> Some may even hold the idea that an effective social security policy is inconceivable without a real improvement in social and economic conditions, a rise in educational levels, development of co-operatives and insurance against natural and other risks affecting rural production and development. This 'social service approach' is especially important in countries where a large proportion of the population are living in the margin of the money economy and are not entirely dependent on wages for their living. Besides, even if the provision of social security can in no way be completely replaced by other social services, their roles are so similar and in many cases supplementary that they should be considered together.

Section D: Interaction effects between social security and forces surrounding its development and implementation

This section examines the development of social security and attempts to account for the forces that have shaped it. These forces include particular beliefs, values or traditions held by the population, or attitudes or platforms of political parties or pressure groups. However, in tracing the various forces, there is an underlying assumption that there is a demand for income protection in every industrializing society; forces in favour of or against the introduction of income maintenance or similar measures need therefore to be accounted for.

Section E: Objectives, kinds and levels, target segments and substantive effects of social security provisions

This section describes, in the greatest detail possible, society's existing social security provisions – their boundaries, tasks performed, coverage,

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<sup>33</sup> Vladimir Rys, 'Problems of Social Security Planning in Industrialized and Developing Countries', International Social Security Review, Nos.2–3, 1974, p.342.



risks covered and benefit levels. Questions will also be asked about: (1) How is the existing system working? (2) What are its avowed objectives and to what extent have they been achieved? (3) Who are the people benefiting most from existing provisions? (4) What are the intended and unintended effects of the present arrangements? (5) Could the present system be improved or expanded?

Section F: Implications and functions of social security in the processes of societal development

This section relates social security to society's development goals and examines the relationship between social security and other aspects of societal development. It is assumed that the function of social security aims not only at meeting the whole or part of the requirements for a basic living but is also instrumental to modifying the allocation of resources or reducing the injustices that may arise from social or economic imbalances. Particular attention is given in this section to alternative measures that aim at achieving similar objectives, such as the furtherance of welfare for weaker members of the society, particularly in the context of developing countries. In summary, the value of social security is revealed in its contribution towards a balanced social and economic growth.

#### 4. Model for Cross-National Comparison of Social Security Systems

The following model for cross-national comparison of social security systems is constructed with the view of applying it to the comparison of developing countries in the East and Southeast Asian region. The majority of these countries have only begun their industrialization after the end of the Second World War and are yet to meet the problems of highly industrialized societies. Issues that are raised in this model are those which are of particular relevance to conditions of developing countries but since these countries also vary greatly among themselves, attempts to compare their different social security systems would best be made by asking a number of relevant questions, allowing for a wide range of answers, rather than confining the comparison to defined areas. Such a model serves more as a guide than a hypothesis to be tested.

Section A: Institutional issues related to the provision of social security

1. How do the societies compare in their institutional characteristics? What are the economic factors in these societies conducive or inconducive to the provision of social security?
2. What are the societies' living standards? Are resources available for providing people with a living above subsistence?
3. What are the different levels of governmental control over resources? To what extent is the provision of social security a public responsibility?
4. Do the traditional care systems still prevail in the societies? What are their existing functions?
5. How homogeneous are the societies racially and administratively? Are measures being effectively carried out in all localities? What are the different degrees of population participation?

Section B: Identification of problems requiring the provision of social security

1. What different levels of modernization have been reached in the societies compared? Is the need for social security a result of the modernization process?
2. How are resources or incomes distributed in the societies? To what extent is the distribution pattern associated with the need for income protection?
3. How is poverty defined and what accounts for the incidence of poverty?
4. What are other inequality issues besides the distribution of resources that may create the need for social security?

Section C: Development issues related to the provision of social security

1. What are the stated directions of societal development of the societies compared?
2. How is social development related to economic development in the societies compared? What are the forces accounting for its acceptance or rejection?
3. To what extent is the provision of social security regarded as one of the social imperatives of the societies? What are the forces accounting for its acceptance or rejection?
4. To what extent is the breakdown of the traditional care system as occasioned by other development goals a justification for the provision of social security?

Section D: Existing social security provisions

1. How do different social security systems of the societies studied compare in general? What are the objectives of the different systems?
2. What are the contingencies provided for by the different social security systems:
  - (a) old age
  - (b) death

- (c) invalidity
  - (d) sickness
  - (e) widowhood and orphanhood
  - (f) maternity
  - (g) unemployment
  - (h) insufficient income
3. How do the benefit levels of the different provisions compare with the general living standard? Are benefits adequate to maintain a living above subsistence?
  4. What are the different forms of social security administration? Are the administrative systems effective in carrying out their assigned tasks?
  5. Is voluntary action forming a part of the income protection network? What is its role in relation to the provision of social security?

#### Section E: Evaluation of existing policies regarding social security and related issues

1. What are the functions performed by the different social security systems compared?
2. To what extent are present social security provisions in different societies an answer to the objectives of (a) the eradication of poverty and (b) the maintenance of income?
3. How does social security compare with other development strategies in achieving the two objectives as stated above in the societies studied?
4. What are the prospects for the further development of social security in the societies studied and the future role of social security in developing countries in the East and Southeast Asian region?

#### Interpretation of the model

##### Section A: Institutional issues related to the provision of social security

Societies vary in their social security provisions for they have different economic, social and political structures. This section examines the institutional issues related to the provision of social security and identifies their differences. One of the questions asked under this section is the economic performance of the different societies compared, as the amount of resources available accounts, to a greater or lesser degree, for the level of social security provision in a society. A comparison of the economic performances is also significant in that it gives an idea of the different levels of living standard

possible in the societies compared. Another question asked, as social security provisions are in most cases the result of legislative enactments, is the control that different governments may exercise over available resources, which determines the level of social security. In general, the greater the share of public finance in the economy, the higher is the level of provision. Another institutional question raised concerns the traditional care system, particularly the family, since in most developing countries it is still the major institution providing for the needs of the individual. The last question is the administrations of the societies compared as social security provisions demand a priori an effective administrative network before they could be operative. In addition, other cultural and political issues also need considering, such as trade unionism and the formation of pressure groups as these may play an important role in shaping the different forms of social security systems in the societies compared.

#### Section B: Identification of problems requiring the provision of social security

The second group of questions is related to issues that have created the need for social security. As the institution of social security is very often associated with the process of modernization, the degree of industrialization and urbanization as experienced by the different societies compared and their effects have therefore to be determined and compared. As a whole, the effects of industrialization, in relation to the need for social security, can be identified in the following areas: (1) the polarization of interests in society; (2) the transformation of social networks and the form of protection; (3) the attitude towards the definition of need and ways in which it may be satisfied.

In addition, if the functions of social security are not narrowly confined to providing people with a living above subsistence but seen as the cushioning of risks of a modern society and redistribution of resources between different income groups and over one's life time, then the factors giving rise to these problems would need to be examined. These include the income distribution pattern between different strata of the society, and the proportion of people living below subsistence, i.e. those usually classified as 'poor'. Besides the above, other inequality issues need also to be looked into when comparison is made as the need for social security is not only associated with poverty, but in most cases it is an expression of the entire inequality complex in a society. The aims of this section are thus to identify the various issues that account for the incidence of poverty

in the societies compared and the different effects of modernization. It is assumed that as a society modernizes, there occurs at the same time a realignment of powers and a change of attitude towards the definition of need and the provision of social security.

#### Section C: Development issues related to the provision of social security

The various courses of action that different societies adopt in response to the need for social security are the major interests of this section. The different approaches adopted are seen as reflecting the development goals of the societies compared. In other words, the provision of social security is determined by the degree to which a society is prepared to appropriate resources for social security in relation to other demands. Other questions examined under this section include: Is the provision of social security a mandate of the government? Are the objectives embodied in the provision of social security complementary to or conflicting with other national or societal objectives? What other alternatives are seen to be more acceptable than social security in meeting the demands of the needy members of society? The main interest of this section is thus to account for the different approaches adopted by societies compared towards meeting the need for income protection and the priority given to it in relation to overall development goals.

#### Section D: Existing social security provisions

The comparison made in this section follows the kinds of risks usually provided for by social security. Besides risks like old age, invalidity, sickness, maternity and medical care, others like insufficient income and undernourishment would also be included since in developing countries, provisions for maintaining a living above subsistence still constitute the major component of a social security programme.

However, in comparing different social security programmes, attempts would not be made to express the various allowances or benefits against a common denominator. Although benefit levels could be easily converted from one monetary unit into another, situations in various societies vary so much, both in their living standards and types of provisions made under social security, that a common denominator would not prove very useful. The approaches adopted

for the purpose of this section is rather, first, to ascertain the living standards of the various societies compared and, second, to assess the allowances or benefits provided under a particular scheme in relation to the living standard of the society in question, i.e. the level of living standard possible for a recipient of a particular scheme. The focus is therefore not on the absolute amount of assistance or benefit provided but the type of livelihood a recipient may lead in a particular society. A public assistance recipient living in a country with a comparatively higher living standard may therefore be worse off than one living in a country with a lower living standard, although the absolute amount of assistance received by the former may be higher than the latter. It is hoped that in this way, a comparison of social security provisions of different societies can be made without sacrificing the peculiarities that exist between them.

Section E: Evaluation of existing policies regarding social security and related issues

This last section evaluates the functions performed by different social security systems as they are provided in the societies compared. This evaluation is made on the assumption that disregarding the different purposes of social security, one of its basic functions is to provide people of a society with the means to maintain an acceptable living standard. However, social security is only one of the approaches that a society may adopt towards this end; the alternatives need therefore to be considered and evaluated along with social security. The potentials for further development of social security in a developing country is another interest of this section. Again, this can only be done in relation to other programmes and alternatives of a development strategy.

PART TWO  
NATIONAL CASE STUDIES

CHAPTER THREE  
SOCIAL SECURITY SYSTEM IN SINGAPORE

I. SOCIAL, POLITICAL AND ECONOMIC CHARACTERISTICS

Singapore was first pioneered by Sir Thomas Stamford Raffles in 1819 and in 1824, it was ceded to the British India Company. In 1826, Singapore became a dependency of the Residency of Penang and remained under the control of the East India Company until 1867 when authority was transferred to the Colonial Office in London. Singapore fell to the Japanese during the Second World War and remained under Japanese occupation until September 1945 when for about six months, the Government was taken over by the British Military Administration. Singapore then became a colony separate from the Malayan Union but the British policy was in no way 'to preclude or prejudice the fusion of Singapore and the Malayan Union in a wide union at a later date should it be considered that such a course were desirable.'<sup>1</sup>

Singapore held its first election in March 1948 when members were voted to sit in the Legislative Council. Advancement towards self-government was advocated in 1955 and when the Federation of Malaya achieved its complete independence in 1957, it was clear that similar status would be granted to Singapore. In 1959 full self-government was gained, Singapore becoming a state with the People's Action Party controlling most of the seats of the newly-established Parliament. Discussions for Singapore to merge with the Federation of Malaya continued and when the proposal was endorsed in a Referendum by the people, a new Malaysia federation was formed in July 1963 comprising Malaya, Singapore, Sabah, and Sarawak.<sup>2</sup> Singapore did not, however, stay long in the Federation; two years later, it left to become a sovereign and independent nation.

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<sup>1</sup> Singapore 1973, Ministry of Culture, Republic of Singapore, 1974, p.34.

<sup>2</sup> See Tan Ding Eng, A Portrait of Malaysia and Singapore, Oxford University Press, Singapore, 1975.

## 1. Population

The population of Singapore is just over two million, about half that of Hong Kong; but since Singapore's topography is generally flat and low-lying, more land is available for cultivation and human habitation than in the mountainous terrain of Hong Kong. Of the estimated 2,278,200 persons at the end of June 1976 representing a growth rate of 1.4 per cent over the previous year, 1,162,000 were male and 1,116,200 were female (Table 3.1.1). The rate of population growth has remained below 2.0 per cent since 1967 and the downtrend is essentially attributable to the decline in the birth rate (Table 3.1.2).

Family planning services were started early in Singapore; a family planning association was formed in 1949 providing a wide range of family planning services. In 1966 the Government formally introduced a population policy and vigorously carried out a five-year National Family Planning Programme, which extended from 1966 to 1970. During the five years of the Programme, a total of 156,556 persons responded, though the number was still short of the target of 180,000. Of all the new acceptors of family planning registered between 1967 and 1970, 30 per cent were women aged 24 or younger, 28 per cent within the age group 25–29, and 21 per cent 30 to 34.<sup>3</sup> Since 1970 an average of about 20,000 persons accepted family planning each year and in 1976, 17,674 persons received family planning services for the first time. The number of women receiving sterilization also increased rapidly during the last few years, in 1976 exceeding 10,000. Despite the enthusiastic response to family planning, the Government is still vigorously pushing ahead with it; the policy at present is to encourage families to have no more than two children.<sup>4</sup>

Ethnically, Singapore is a heterogeneous society, being made up largely of descendants of immigrants from China, the Malay Peninsula, Sri Lanka and the Indian sub-continent. Of the total population in mid-1976, 76.1 per cent were of Chinese origin, 15.1 per cent Malayan, and 6.9 per cent Indian, Pakistani and Sri Lankan. All ethnic groups have roughly equal numbers of males and females except the Indians whose males outnumbered the females by almost 3:2, indicating that a large number of Indian males still have families in

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<sup>3</sup> For an account of family planning activities in Singapore, see Chang Chen-tung, Fertility Transition in Singapore, Singapore University Press, Singapore, 1974. See also Saw Swee-hock, Singapore: Population in Transition, University of Pennsylvania Press, Philadelphia, 1970.

<sup>4</sup> See Janet Wookey, 'Will the two-child average family be enough in 2030?', in Far Eastern Economic Review, August 12, 1977, p.51.



their home country (Table 3.1.3). With strict immigration control by the Government, the ethnic composition of the present population in Singapore will remain without great changes. Its heterogeneous nature will however continue to present itself as a major consideration in maintaining a balanced policy aiming at improving the life of the people in Singapore.

Like other developing countries, about half the population are young persons under the age of 20; this proportion will change as the population matures. On the other hand, those aged 60 and above at present constitute only a comparatively small percentage, about 6 per cent of the total population. The young will therefore remain a major concern of the Government for some time, at least in the priority of the provision of social services, while the aged may be left to take care of themselves.

## 2. The Economy

Like Hong Kong, Singapore has enjoyed during the last ten years enormous growth in its economy. Singapore is now the second richest country, after Japan, in the Asian region with a per capita Gross National Product (GNP) of S\$6,329 at current market prices in 1976.<sup>5</sup> Gross Domestic Product at current market prices increased from a mere S\$2,046 million in 1960, the first year after Singapore gained self-government, to S\$14,420 million in 1976, an almost seven-fold increase (Table 3.1.4).<sup>6</sup> The improvement in the living standard is also indicated by the increase in consumption expenditure which, during the period from 1960 to 1973, showed an annual average growth rate of 12 per cent (Table 3.1.5).<sup>7</sup> Another noteworthy trend of the economy in Singapore is its increasing reliance on the production of goods rather than services, although the latter still forms the major item in the GDP. This can be seen from the fact that the production of goods from agriculture, fishery, manufacturing and construction, which in 1960 accounted for 17 per cent of GDP, increased to 29 per cent in 1976.<sup>8</sup>

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<sup>5</sup> The figure was given in Singapore: Facts and Pictures, 1977, Ministry of Culture, Republic of Singapore, p.79.

<sup>6</sup> GDP made only slight but steady increase during the 1960s and the rate was more rapid since the early 1970s. For the 1976 figure, see Economic Survey of Singapore, 1976, Ministry of Finance, Republic of Singapore, Table IV.

<sup>7</sup> For figures of expenditure on GDP during 1960–1973, see Singapore 1974, pp.290–291

<sup>8</sup> For figures of GDP by industry from 1974 to 1976, see Economic Survey of Singapore, 1976, Table V.

Ever since its occupation by the British, Singapore has established itself as an important trading centre in the Far East and for more than a century, raw materials such as rubber, tin and palm oil have been assembled in its port from the neighbouring countries to be exported to the West; in return manufactured goods were imported for redistribution. In many ways, this entrepôt function of Singapore still remains though with lessened eminence.<sup>9</sup> While the traditional entrepôt function has diminished, Singapore has made inroads in other areas establishing itself as a financial centre for the East and Southeast Asian region. The Government extends, through the activity of the statutory Monetary Authority of Singapore, financial assistance to foreigners interested in investing in Singapore. It is thus described:

There is no known case of any investor in the region abandoning a profitable idea in Singapore for lack of funds. And there is now hardly any financial service that Singapore does not offer. The provision of a wide range of financial services has always been one of the cornerstones of modern Singapore's prosperity.<sup>10</sup>

As a financial centre, it adds another dimension to the economy and makes it less vulnerable in terms of economic recessions than if narrowly based on a few industries. This partly explains why Singapore suffered less than Hong Kong from the 1973 Oil Crisis and the subsequent decrease in demand for goods, though both cities are export-oriented and resourceless.

Singapore now depends to a great extent on the export of manufactured goods for its survival. Domestic exports have already exceeded re-exports though in 1960 its share in the total export was only 6.2 per cent. The rapid growth of the manufacturing sector in Singapore has largely been a result of Government encouragement which includes the formation of an industrial infrastructure and favourable terms for pioneer industries. Although over 40 per cent of its manufacturing output is now exported, Singapore still imports more than what it exports.<sup>11</sup> This deficit in trade balance is however more than compensated for by gains in other areas, such as trading with Indonesia which is excluded from the import and export statistics and the inflow of short and long-term capital investments. Economic prospects for Singapore are therefore

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<sup>9</sup> For a description of the development of the economy in Singapore, see You Poh Seng and Lim Chong Yah, ed., The Singapore Economy, Eastern Universities Press, Singapore, 1971.

<sup>10</sup> 'Singapore Focus '75', Far Eastern Economic Review, August 15, 1975, p.27.

<sup>11</sup> This was stressed by the Minister of Finance of Singapore in his 1973 Budget Statement. In 1975, exports and imports of Singapore were S\$12,757.9 million and S\$19,270.4 million respectively.

promising; compared with many developing countries, Singapore has not only the potential for further economic and industrial development, its economic infrastructure is also less vulnerable than is often thought. But there is no disputing the fact that Singapore's future is to a large extent susceptible to external economic vicissitudes. Yet the resilience of the economic make-up in Singapore has always been carefully safeguarded by Government control and regulations.

### 3. Public Finance

Government expenditure in Singapore has increased rapidly in recent years and accounts now for over 30 per cent of the GDP. Compared to Hong Kong, the figure in Singapore is on the high side. Public finance is a far more complicated matter in Singapore than in Hong Kong as a number of authorities are also under direct public control, their finances being therefore concerns of the Government.<sup>12</sup> Main statutory authorities include the Economic Development Board (EDB), the Jurong Town Corporation, the Monetary Authority of Singapore, the Central Provident Fund Board, the Public Utilities Board and the Housing and Development Board.

For the fiscal year 1976–77, the total Government revenue was estimated at S\$3,107.6 million, 30 per cent more than that of 1973–74 (Table 3.1.6). It comes from direct and indirect taxes as well as reimbursements and sales of goods and services. Income tax is chargeable on all incomes earned in or remitted to Singapore. For individuals, the rate varies from 6 to 55 per cent of chargeable income; and the rate for companies stands at 40 per cent. Legislation passed in 1959 gives, however, approved 'pioneer industries' up to five years exemption from the 40 per cent company profits tax as well as generous depreciation allowances.<sup>13</sup> Persons who are contributing to life insurance premiums or to an approved pension or provident fund may also have their tax payments deducted.<sup>14</sup> Another important item in direct taxation is property tax which is

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<sup>12</sup> See Lee Soo-ann, Papers on Economic Planning and Development in Singapore, Federal Publications, Singapore, 1971.

<sup>13</sup> These allowances include deductions in respect of additional plants or machinery, exemption from tax for periods of up to 15 years on increased export earnings, exemption from tax on interest payable to non-residents in respect of approved loans or credit facilities, exemption from tax of dividends from expanding enterprises, and reduction of tax rates on approved royalties and technical assistance fees or contributions to research.

<sup>14</sup> Each taxpayer is allowed a S\$2,000 personal exemption, S\$1,000 for a wife, S\$750 for each of the first 2 children, S\$500 for the third child (with nothing for the subsequent children), S\$300 each for dependent parents or grandparents.

levied on immovable properties and the rate varies from 12 per cent to 36 per cent, depending on the locality. Indirect taxation comprises import duties, excises, motor vehicle taxes, stamp duty, entertainment and betting and sweepstake levies. On the whole, the Government depends more on direct taxation which accounts for about 40 per cent of the total revenue as its major source of income than on indirect taxation and the disposal of goods and services, a situation also unlike that in Hong Kong.

A noteworthy point in the taxation system is the existence of payroll tax as it is closely related to the administration of any social security system. First introduced in 1965, it is levied at two per cent on the payroll of a trade, business or vocation. The tax is applicable to the entire remuneration including salaries, wages commissions, loans and leave pay, but it does not include any contribution by the employer to an approved provident or pension fund.

Government expenditure in Singapore is divided into two main categories: one for recurrent expenses and the other for development. Recurrent or ordinary expenditure includes all expenses necessary for the running of the Government machinery. Expenditure on defence and internal security has increased rapidly in recent years, particularly after the withdrawal of the British military forces from their bases in Singapore. For 1976/77, defence accounted for almost 27.6 per cent of the total Government current expenditure (Table 3.1.7), being the major item in spending. A substantial proportion, about 14 per cent, of the total expenditure was taken up by public debt. These two items are almost non-existent in the spending list of Hong Kong.

More than 50 per cent of the development expenditure each year goes to economic development. It comprises such items as land reclamation, the provision of public utilities, formation of industrial estates and communications services. 37 per cent of the development expenditure in 1975 were allocated to social development which included education, housing, health, social welfare and community services (Table 3.1.8). Housing usually takes up the lion's share, about 3/4 of the appropriation. Sources of the development fund from which expenditures come are loans and transfers from current expenditure and more than half of the Fund each year is used by statutory boards and enterprises rather than by the Government itself.

In brief, public finance in Singapore is never a simple matter of supplying the Government with adequate funds and resources. The taxation rates

are deliberately varied so as to encourage trade and investment and the whole system is the Government's tool for achieving the desired development targets. On the other hand, the manner in which the resources are appropriated also reflects the priorities set by the Government in handling its problems. An example is the enormous amount spent on defence which clearly evidenced the determination of the Government to build up its own military forces. Also, economic development is generally given more stress than social development and in the latter case, housing usually ranks at the top.

#### 4. Administration

Singapore achieved its self-government in 1959. Prior to this, Singapore was a Crown Colony under the rule of a Governor who was responsible to the Secretary of State for the Colonies at Whitehall. The Administration at that time was run by the Malayan Civil Service dominated by expatriate officers. A ten-year Malayanisation programme was initiated in 1952 under which key posts in the administrative services were Malayanised. The Rendel Constitution of 1955 provided for a ministerial system of Government for ministers to work with civil servants who were responsible to the Colonial Secretary. After self-government was gained in 1959, the administrative structure saw few changes except that civil servants are now responsible to ministers who are in turn answerable to Parliament.

The present Government in Singapore is akin to the British in that it is governed by a Parliamentary democracy with a President at its head. Singapore's Parliament is however unicameral with members elected by simple majority in single-member constituencies. In 1971, the Parliamentary Membership Act increased the membership of Parliament from 58 to 65. Every Singapore citizen 21 years of age or above is eligible to be elected to Parliament and voting is by secret ballot and is compulsory. The maximum legal life of a Parliament is five years and the programme of the Parliamentary year is largely determined by the work which the Government attempts to perform within the period. Parliament meets periodically, although there is no fixed length to each session. The four languages which members may use during sessions are Malay, Mandarin, Tamil and English.

The member of Parliament who commands the confidence of the majority of the members, who is usually the leader of the ruling party, will be appointed Prime Minister and on his advice, other ministers are appointed. They

form the Cabinet and are collectively responsible to Parliament. The Cabinet administers the country through its ministers which include the Prime Minister's Office, Communications, Culture, Defence, Education, Environment, Finance, Foreign Affairs, Health and Home Affairs, Labour, Law and National Development, Science and Technology, and Social Affairs. The country is therefore served administratively by ministries which are mainly one-tier in structure with their duties carried out by local offices.

The Singapore Government is noted for its efficiency and honesty. Ever since it came into power in 1959, the People's Action Party (PAP) has maintained its control of the Parliament and even captured all its seats in 1972. Although a number of opposing political parties still contest in elections, they do not constitute a formidable threat to the PAP. The Government is thus run mainly on the ideology of the PAP and its conception of the country formulates the principles behind its activities. People in Singapore on the whole trust their Government, although dissident groups do exist, especially among the University students. This trust of the people in their Government is backed up by a corruption-free civil service and a strong belief that the Government is working for their best interest. So, if the Government is sometimes criticised for its highhandedness and authoritarian policies, there is little doubt that it commands the confidence of the people.

Table 3.1.1 Population Growth in Singapore, 1901–1975

	(thousand)			Rate of population increase (%)
	Persons	Males	Females	
1901 Census	227.6	170.0	57.6	2.3
1911 "	303.3	215.5	87.8	2.9
1921 "	418.3	280.9	137.4	3.3
1931 "	557.7	352.1	205.6	2.9
1947 "	938.2	515.0	423.2	3.3
1957 "	1,445.9	762.8	683.1	4.4
1970 "	2,074.5	1,062.1	1,012.4	2.8
Mid 1971 Estimates	2,110.4	1,079.7	1,030.7	1.7
" 1972 "	2,147.4	1,098.0	1,049.4	1.8
" 1973 "	2,185.1	1,116.6	1,068.5	1.7
" 1974 "	2,219.1	1,133.1	1,086.0	1.4
" 1975 "	2,249.9	1,148.2	1,101.7	1.3
" 1976 "	2,278.2	1,162.0	1,116.2	1.4
" 1977 "	2,308.2	1,176.7	1,131.5	—

Source: Chief Statistician, Monthly Digest of Statistics, Department of Statistics, Singapore, Vol. XVI, No. 8 (August 1977), Table 2.1.

Table 3.1.2 Vital Statistics

	Crude birth rate (per 1,000 population)	Crude death rate	Infant Mortality rate (per 1,000 live births)
1965	29.5	5.4	26.3
1966	28.3	5.4	25.8
1967	25.6	5.3	24.8
1968	23.5	5.5	23.4
1969	21.8	5.0	20.9
1970	22.1	5.2	20.5
1971	22.3	5.4	20.1
1972	23.1	5.4	19.2
1973	22.1	5.5	20.3
1974	19.5	5.3	16.8
1975	17.8	5.1	13.9
1976	18.8	5.1	11.6

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Source: Ibid.

Table 3.1.3 Population estimates by age group and ethnic group,  
June 1976

		(thousands)				
Ethnic group	Sex	0-19	20-39	40-59	60 & over	Total
Malay	M	88.4	50.2	28.7	7.0	174.3
	F	85.8	52.3	24.7	5.8	168.6
Chinese	M	389.5	296.6	130.5	56.6	873.2
	F	365.2	286.8	136.6	72.8	861.4
Indian	M	34.2	23.1	21.7	6.8	91.8
	F	32.8	21.1	9.2	1.6	64.7
Others	M	9.7	6.0	5.6	1.4	22.7
	F	9.2	6.6	4.3	1.4	21.5
Total	M	521.8	375.9	192.5	71.8	1,162.0
	F	493.0	366.8	174.8	81.6	1,116.2

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Source: Chief Statistician, Year Book of Statistics, Singapore, 1976/77,  
Department of Statistics, Singapore, Table 2.2

Table 3.1.4 Gross Domestic Product at Current Market Prices, 1960–73

Year	S\$ Million		GDP (At factor cost)	Per capita GDP (S\$)
	Goods Sector	Services Sector		
1960	353.3	1,692.7	2,046.0	1,243
1961	419.3	1,820.5	2,239.8	1,316
1962	455.8	1,915.6	2,371.4	1,355
1963	536.3	2,147.5	2,683.8	1,495
1964	586.4	2,113.9	2,700.3	1,466
1965	684.5	2,358.9	3,043.4	1,613
1966	768.3	2,596.9	3,365.2	1,740
1967	912.6	2,779.5	3,692.1	1,867
1968	1,044.0	3,213.0	4,257.0	2,116
1969	1,256.9	3,575.8	4,832.7	2,366
1970	1,617.4	4,039.9	5,657.3	2,727
1971	2,020.5	4,459.9	6,279.4	3,072
1972	2,599.5	4,855.4	7,523.9	3,472
1973	3,237.9	5,854.9	9,473.3	4,161

Source: Singapore '75, p. 238.

Table 3.1.5 Expenditure on Gross Domestic Product at 1968 Market Prices,  
1974 – 1976

	S\$ Million		
	1974	1975	1976*
Consumption expenditure	6,475	6,677	7,098
Private	5,534	5,710	6,073
Public	941	967	1,025
Gross domestic fixed capital formation	2,954	2,902	3,137
Private	2,411	2,219	2,359
Public	543	683	778
Increase in stocks	483	185	282
Net imports of goods and services	-1,511	-1,011	-1,035
Statistical discrepancy	44	24	104
Expenditure on GDP	8,445	8,777	9,378

\* Preliminary

Source: Economic Survey of Singapore, 1976, Ministry of Finance, Republic of Singapore, Table VI.



Table 3.1.6 Government Revenue by Function

Item	S\$ Million				
	1972-73	1973-74	1974-75	1975-76	1976-77*
Transfer receipts	1,238.7	1,568.4	1,950.3	2,298.0	2,371.4
Disposal of goods and services	300.4	437.6	439.5	578.1	549.2
Income from property and financial claims	210.2	213.2	167.1	216.1	187.0
	<u>1,749.3</u>	<u>2,219.2</u>	<u>2,556.9</u>	<u>3,092.2</u>	<u>3,107.6</u>

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\* Estimates

Source: Year book of Statistics, Singapore, 1976/77, Table 12.2

Table 3.1.7 Government Current Expenditure by Function

Item	S\$ Million				
	1972-73	1973-74	1974-75	1975-76	1976-77*
General services	73.9	118.5	98.9	100.9	150.1
Defence, justice and police	437.6	524.8	613.6	739.3	859.1
Social and community services	363.7	483.3	574.9	650.3	802.7
Economic services	75.8	67.5	114.6	141.5	172.8
Public debt	453.6	603.4	557.3	875.4	456.9
Unallocable	74.6	37.4	53.3	33.9	37.2
Transfer to development fund	100.0	272.5	480.0	443.1	625.0
Total	<u>1,579.2</u>	<u>2,107.4</u>	<u>2,492.6</u>	<u>2,984.4</u>	<u>3,103.8</u>

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\* Estimates

Source: Ibid., Table 12.4

Table 3.1.8 Development Expenditure by Function

Item	1974		1975	
	S\$ Million	%	S\$ Million	%
General services	5.39	0.32	9.79	0.51
Defence and justice	49.06	2.84	42.08	2.18
Social and community services	601.61	34.87	729.47	37.89
– Community	6.40	0.37	5.45	0.28
– Environment	43.61	2.53	66.00	3.43
– Education	45.83	2.66	69.52	3.61
– Health	6.76	0.39	8.87	0.46
– Housing	487.75	28.27	573.25	29.78
– others	11.26	0.67	6.38	0.33
Economic services	1,069.12	61.97	1,143.46	59.41
	<hr/>	<hr/>	<hr/>	<hr/>
	1,725.19	100.00	1,924.80	100.00

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Source: Singapore '76, p. 270.

## II. EMPLOYMENT PATTERN AND INCOME DISTRIBUTION

### 1. Employment Pattern

A Labour Force Survey conducted in June 1976 found the working population in Singapore to be 870,442, representing a participation rate of about 60 per cent of all population aged 15 to 64. Of this number, 81 per cent were employed while own account and unpaid family workers accounted for another 10.9 and 2.9 per cent respectively. There were more workers engaged in manufacturing than at any previous time: in 1962, the number of manufacturing workers was a mere 28,642 but this increased to 233,954, or 26.8 per cent of the total labour force, in 1976. Those engaged in commerce and business have proportionately dwindled in number, though still constituting a major sector. In 1976, employees engaged in this category amounted to 201,002, or 23 per cent of the labour force. Next came those employed in a wide range of community, social and personal services, accounting for another 23 per cent. Another 11.6 per cent of workers were working in transport, storage and communication with a further 4.8 per cent engaged in construction (Table 3.2.1).

The unemployment rate in Singapore remained throughout the 1960s at around eight per cent but it had since the early 1970s been reduced to under five per cent (Table 3.2.2). Unemployment and underemployment had been a problem in Singapore since the post-War period as the economy had traditionally been dependent on trade and commerce which, though lucrative in profits, provided little employment opportunities for the masses of workers. After the People's Action Party took office, the Singapore Government immediately asked the United Nations Bureau of Technical Assistance Operations to assign an Industrial Survey Mission to undertake an investigation to help speed up industrial expansion. The Mission produced a report in 1961 and recommended the development of industrial sites at various locations throughout Singapore as well as the massive development of a large industrial estate in Jurong.<sup>15</sup> Other recommendations of the Mission were incorporated in the State Development

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<sup>15</sup> United Nations, A Proposed Industrialisation Programme for the State of Singapore, U.N. Commission for Technical Assistance, Department of Economics and Social Affairs, 13 June, 1961.

Plan, which, also produced in 1961, covered the period from 1961 to 1964. As a result of the expansion of the industrial sector and other measures carried out by the Economic Development Board,<sup>16</sup> the rate of unemployment in Singapore was reduced to under five per cent of the total labour force and has remained so since the late 1960s.

Counting establishments engaging ten or more employees, workers in industrial production at the end of 1975 numbered 195,001 with a total output value of S\$13,197 million. The five largest categories in industrial output were petroleum refining, electrical and electronic products, food and beverages, metal products, and textiles and garments. Petroleum refining was responsible for about 1/3 of the total value of industrial output in 1975 but as it is highly machinery-intensive, it employed a mere 1.3 per cent of the total labour force in manufacturing. On the other hand, textiles and production of electrical and electronic products, though low in output, need a large number of workers (Table 3.2.3). Thus a balance will have to be struck between these factors so that the value of output will not be increased at the expense of fewer employment opportunities or vice versa.

In 1975, 294,200 employed persons, or 35 per cent of the total labour force, were classified as production and related workers, transport and equipment operators and labourers. About 110,000 workers were described as occupying professional, technical and administrative posts (Table 3.2.4). The proportion of professional and technical workers to production workers is rather high, about 1 to 3, and this reflects the importance given to technical training since Singapore began to industrialize in the early 1960s. At the end of 1975, 9,830 students were studying in technical and vocational institutes and this did not include the 4,099 full-time and 3,804 part-time students studying at Ngee Ann Technical College. Of all employed persons in 1975, about 30 per cent were female and their number among the production and related workers was even smaller, about 27 per cent. This contrasts greatly with the situations in Hong Kong where about equal numbers of males and females were employed in manufacturing. The explanation lies in the fact that industries in Singapore are generally more technology-intensive than those in Hong Kong.

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<sup>16</sup> For a discussion of the activities of the Economic Development Board, see Lee Soo Ann, Industrialization in Singapore, Studies in Contemporary Southeast Asia Series, Longman, Australia, 1973.

## 2. Income Distribution and Poverty

Information on income distribution in Singapore is not available in the 1970 Population Census. Nevertheless other statistics such as those on contributions to the Central Provident Fund and income tax returns provide fairly accurate data on the income situation. A survey on income distribution had once been conducted before the Independence and a report was published in 1958. According to this Report on Urban Incomes and Housing, 71 per cent of the households in Singapore between 1953–54 earned an income of less than S\$200 a month. The median income for the lower quartile was S\$104 while that for the upper quartile was S\$210. The survey also attempted to assess the extent of poverty, defined as households whose incomes were inadequate to provide them with the goods and services required for a minimum standard of living. The result showed that about one-fifth of all households were found to be living in poverty (Table 3.2.5).<sup>17</sup> Other findings of the Survey were: (1) The Indian immigrant households came off best as their low average income was more than offset by the small average household size; the immigrant Malaysian households were worst off. (2) The higher average incomes of larger households were not sufficient to maintain them at the standards obtaining in the smaller ones. (3) The integration of different families and relatives into one household had not resulted in any appreciable improvement in the aggregate to their standard of living.

The causes of poverty as revealed by the Survey led to the following conclusions: (1) 2/3 of all households living in poverty were built around a married couple with the result that more than half of the persons living in poverty were children; (2) poverty was highest among widows with dependent children; (3) unemployment was the most powerful cause of poverty and the next most important factor was short-term earnings; (4) households receiving public assistance were in poverty as the allowance was not sufficient to maintain them above the subsistence level.

Another calculation of the extent of poverty in the 1960s was made by Iain Buchanan basing on the Sample Household Survey of 1966 and

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<sup>17</sup> Goh Keng Swee, Urban Incomes and Housing: A Report on the Social Survey of Singapore, 1953–54, Government Printing Office, Singapore, 1958.

reports of the Inland Revenue Department.<sup>18</sup> According to his assessment, about 1.6 per cent of the working population in the mid-1960s accounted for 16 per cent of all incomes earned by individuals resident in Singapore; while 60 per cent of the working population earned less than 1/4 of all remunerations. A substantial number of workers must therefore be earning very low incomes. Earnings of workers in Singapore have definitely been increased since the mid-1960s and Pang Eng Fong reported that between 1966 and 1973, the proportion of workers earning less than S\$150 per month fell sharply from 44 to 25 per cent while the proportion of workers in the income bracket S\$300 to S\$499 rose from 13 to 20 per cent; and an additional 3 per cent of income earners moved into the over S\$500 group.<sup>19</sup> While workers are generally receiving more, there is however no indication that the distribution is fairer;<sup>20</sup> the reverse may be true as more wealth has been accumulated.

Contributions made to the Central Provident Fund form another source of information on income distribution. As most wage earners are required to contribute to the Fund, data collected should be fairly representative of the income situation in Singapore. When income data from Central Provident Fund contributions were compared for 1970 and 1975 (Table 3.2.6), it showed that wages over the period had generally risen. There were also more people earning S\$500 or more per month in 1975 than in 1970. However, those earning S\$100 to S\$400 per month remained more or less the same at about 2/3 of the employed. Although absolute poverty has largely disappeared in Singapore as indicated by the decreasing number of employees earning less than S\$100 per month, the disparity between the rich and the poor is still a matter of grave concern. At the same time, workers in Singapore can hardly be described as affluent; a Government survey in 1975 showed that 92 per cent of the labour force earned less than S\$800 and a mere 5 per cent earned between S\$800 and S\$1,500.<sup>21</sup>

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<sup>18</sup> Iain Buchanan, Singapore in Southeast Asia: An Economic and Political Appraisal, Gordon Bell, London, 1972. The calculations done by Iain Buchanan have been criticised as biased and inaccurate, see C. Devan Nair, ed., Socialism that Works: The Singapore Way, Federal Publications, Singapore, 1976.

<sup>19</sup> Pang Eng Fong, 'Development and Social Equity in Singapore', in Seah Chee Meow, ed., Trends in Singapore, Singapore University Press, Singapore, 1975.

<sup>20</sup> A 1975 Business Asia survey showed the unskilled worker in Singapore earning an average S\$356 a month. Inequality is also described to be high, with a Gini coefficient rating of 0.415. See Philip Bowring, 'Asia's Twins: Growing Together', Far Eastern Economic Review, June 4, 1976. p. 50.

<sup>21</sup> Far Eastern Economic Review, March 19, 1976, p.55

Average earnings of male workers in production and transport in 1975 was S\$86 a week and that of women workers was much lower, at S\$47 a week.<sup>22</sup> Undoubtedly the living standard of workers in Singapore has been much improved in recent years as more employment opportunities were made available in the industrial sector and not many people capable of working were unemployed. However the improvement in living standard was only brought about by the increased earnings of the bottom layer workers; compared with those at the top, their position has largely remained the same as the rich usually benefit more from an expanding economy. So far, attention has been restricted to income distribution and the redistribution effected by the provision of various types of social services has not been taken into account. The public sector in Singapore currently represents about 30 per cent of the GDP and about 25 per cent of this is usually allocated to social and community services. The effect of this appropriation on the living standard of Singaporeans, especially the lower income groups, must be very substantial. Thus, while income distribution may be as unequal in Singapore as in other developing countries, the enormous expenditure of the Singapore Government on social and community services should lessen to a certain extent the plight of the poor.

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<sup>22</sup> Figures on average weekly earnings of workers in production and transport were given in the 1975 Annual Report of the Ministry of Labour, p. 18.

Table 3.2.1 Persons Engaged by Industry and Occupational Status,

Industry	Total	Occupational status			
		Employees	Employers	Own account workers	Unpaid family workers
All industries	870,442	713,217	36,083	95,089	26,054
Agr., fishing and forestry	19,686	3,237	584	10,241	5,625
Mining & quarrying	1,857	1,751	53	53	—
Manufacturing	233,954	213,684	6,314	11,302	2,653
Electricity, gas & water	11,249	11,143	—	106	—
Construction	42,026	36,666	1,910	3,078	371
Commerce	201,002	117,163	21,650	45,899	16,290
Transport, storage and communication	101,615	85,113	1,061	15,282	159
Financing, insurance, real estate and business services	56,512	53,010	1,327	1,857	318
Community, social & personal services	200,630	189,700	3,078	7,217	637
Activities not adequately defined	1,910	1,751	106	53	—

Note: Figures were obtained from the 1976 Labour Force Survey conducted by the Ministry of Labour. The Survey was based on a sample of 7,817 households and covered all categories of workers.

Source: Chief Statistician, Monthly Digest of Statistics, Vol. XVI, No. 8 (August 1977), Table 3.1

Table 3.2.2 Labour Force and Unemployment

Year	15–64 years (mid-year population)	Labour force	Persons employed	Persons unemployed	Unemployed as % of labour force	Participation %
1965	1,005,900	557,000	509,000	48,000	8.7	55.4
1966	1,038,500	575,000	524,000	51,000	8.7	55.4
1967	1,074,700	601,000	552,000	49,000	8.1	55.9
1968	1,109,800	626,000	580,000	46,000	7.3	56.4
1969	1,147,000	654,000	610,000	44,000	6.7	57.0
1970	1,200,300	693,000	651,000	42,000	6.0	57.7
1971	1,242,300	726,000	691,000	35,000	4.8	58.4
1972	1,286,900	761,000	725,000	36,000	4.7	59.2
1973	1,330,200	818,000	781,000	37,000	4.5	61.5
1974	1,389,600	836,000	803,000	33,000	4.0	60.2
1975	1,427,700	852,000	813,000	39,000	4.5	59.7

Source: Singapore '76, p. 240.



Table 3.2.3 Output and Employment of Selected Pioneer Manufacturing Establishments, 1976

Category	Output S\$ million	Employment Number
Petroleum and petroleum products	5,386	2,991
Electrical and electronic products	1,201	32,311
Food and beverages	403	2,360
Transport equipment	165	2,439
Textiles and garments	338	13,947

Source: Chief Statistician, Monthly Digest of Statistics,  
Vol. XVI, No. 8 (August 1977), Table 6.11

Table 3.2.4 Employed Persons by Occupation and Sex, 1975

Occupational group	(thousand)		
	Males	Females	Persons
Professional, technical and related workers	62.5	26.6	89.1
Administrative and managerial workers	21.7	1.6	23.3
Clerical and related workers	71.8	61.6	133.4
Sales workers	96.7	30.3	127.0
Service workers	54.7	40.3	95.0
Agricultural, animal husbandry and forestry workers, fishermen and hunters	16.8	6.2	22.9
Production and related workers, transport equipment operators and labourers	214.8	79.3	294.2
Workers not classifiable by occupation	47.5	1.1	48.6
	<u>586.5</u>	<u>247.0</u>	<u>833.5</u>

Source: Ministry of Labour, Republic of Singapore, Annual Report, 1975, p. 7.

Table 3.2.5 Income Distribution, 1953-54

Monthly household income S\$	No. of households	%
— 74	731	12
75 — 99	594	10
100 — 124	866	14
125 — 149	827	14
150 — 174	764	13
175 — 199	486	8
200 — 224	398	7
225 — 249	245	4
250 — 299	397	7
300 — 349	253	4
350 — 399	142	2
400 +	206	3
Unknown	151	2
	6,060	

Source: Goh Keng Swee, Urban Incomes and Housing: A Report on the Social Survey of Singapore, 1953-54, Government Printing Office, Singapore, 1958, p. 98.

Table 3.2.6 Central Provident Fund Contributions by Wage Level

Monthly wage level S\$	1970		1975	
	No.	%	No.	%
Below 100	66,070	17.9	24,033	3.8
100 — 199	146,753	39.7	117,452	18.4
200 — 299	68,788	18.6	162,096	25.4
300 — 399	31,578	8.5	93,101	14.6
400 — 499	18,469	5.0	62,208	9.7
500 & over	38,284	10.3	179,542	28.1
	369,942	100.0	638,432	100.0

Source: Singapore '76, p. 244.

### III. SOCIAL SERVICES AND LABOUR LEGISLATIONS

#### 1. Social Services

Singapore takes pride in its achievement in providing a satisfactory environment for its citizens. Over half of the population are now living in housing estates built by the Government, either owning their flats or paying a rent which they can afford. The Singaporeans are also quite adequately cared for by the public medical services which charge only nominal fees and their children are ensured a minimum of 10 years free education. Singapore thus fares better than most developing countries in the range of social services provided for its citizens, especially in its almost unprecedented accomplishments in the areas of urban renewal and public housing. The following sections attempt to describe the various social services provided in Singapore; the purpose is not only to explore the existing provisions but also to examine the efforts made by the Singapore Government to create a caring community.

#### Education

Education in Singapore is the responsibility of the Ministry of Education and is administered through two departments: the General Education Department and the Technical Education Department. The former is responsible for the administration of all primary and secondary schools and the teaching of general education subjects. The latter administers technical schools, secondary schools with a technical stream, vocational institutes, and the Singapore Technical Institute. Education is provided at the primary and secondary levels in the four official languages, and parents are free to choose the language of instruction for their children. The Government places special emphasis on technical education and the increasing use of English; thus there is a growing preference in recent years for education in the English language stream.

A Ten-Year Education Plan was launched in 1947 and free primary education was achieved in Singapore in the early 1960s. The present aim of the Government is to provide at least ten years of education for every child starting from the age of six (Table 3.3.1). Although fees are still charged at secondary and advanced levels, scholarships and other forms of aid are readily available for qualified students whose families cannot meet the costs. Similar help is provided to needy students attending the two universities (the University of Singapore and the Nanyang University), the Singapore Polytechnic, and its technical and vocational institutes.

In primary education, all students are required to learn a second language besides their first. In the first two years of secondary education, students follow common courses of study comprising both academic and technical subjects. On completion of Secondary II, students are channelled into the academic, technical or commercial stream and they may also join vocational institutes. The shift from academic to technical and science education has been speeded up in recent years at both the secondary and tertiary levels. Technical training is now provided at the two universities, the Singapore Technical Institute, the Ngee Ann Technical College and the Singapore Polytechnic. Since 1967, young people in Singapore have also been required to serve in the National Service.

### Medical Care

Health services started in Singapore, as in other countries, with the control and prevention of infectious diseases. Tuberculosis had at one time been the main killer-disease in Singapore and even as late as 1959 the mortality rate due to this disease was 39.7 per 100,000. Infectious diseases have since then been controlled and Singapore is now one of the healthiest cities in the World.

A wide range of medical services are provided by the Government in Singapore. At the end of 1976, there were 13 hospitals, 117 dental clinics, 27 outpatient clinics and 35 maternal and child health clinics directly run by the Ministry of Health. Only nominal fees are charged and medical services are generally available on demand. Medical personnel serving in the Government sector are close in number to those in the private practice (Table 3.3.2). Singapore has been particularly successful in its National Family Planning Programme which is the responsibility of the Family Planning and Population Board. The Board works in close co-operation with the maternal and child health clinics where primary medical care is also provided.

### Housing

The Singapore Government is now the landlord of about 51 per cent of its population. The public housing programme was started as early as 1927 when the first public housing authority, the Singapore Improvement Trust, was set up to solve the housing problem. However, during the 32 years of its existence from 1927 to 1959, it built a mere 23,019 housing units. The Trust

was subsequently replaced by the Housing and Development Board and since 1960, the Government has never relinquished its commitment towards providing decent housing for its citizens.

Under the First Five-Year Building Programme, 1960–65, the Housing and Development Board built 53,000 flats, costing S\$230 million, for more than 250,000 people. The pace was speeded up during the Second Five-Year Building Programme in which 67,000 housing units were built for about 350,000 people costing S\$305 million. The target for the Third Five-Year Building Programme, 1970–75, was to build 100,000 more flats (Table 3.3.3).

Public housing in Singapore is planned not only to provide a decent living environment to maintain health and social stability, but also to create employment opportunities and thus promote economic growth.<sup>23</sup> The housing estates are usually built on the 'neighbourhood' basis, whereby markets, shopping centres, cinemas and schools are positioned within walking distance in the estate itself. Each neighbourhood has about 2,000 to 5,000 families and where more than three neighbourhoods are situated in proximity, provisions are made for a town centre, with a post office, banks, department stores and cinemas.<sup>24</sup> A Sample Household Survey conducted by the Housing and Development Board in 1968 showed that (1) minority groups, viz. Malays, Indians and other races generally regarded life as being markedly better than before relocation; (2) the trend was towards improved racial harmony; (3) the subsequent pattern of interpersonal relationship was often in the direction of decreased frequency of social contact with friends and relatives; (4) the nuclear family was considered the standard family structure, although the housing policy was to encourage the maintenance as far as possible of the social ties of the extended families. The Survey also reported that the average per person floor space was 54 square feet, with a range of 35 to 72 square feet per person for one to four-room flats respectively. The average sizes of households were five persons in one-room flats, 6.2 persons in two-room, 7.2 persons in three-room and 8.2 persons in four-room

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<sup>23</sup> For a discussion of the various aspects of public housing in Singapore, see Stephen H.K. Yeh, Public Housing in Singapore, Singapore University Press, Singapore, 1975.

<sup>24</sup> See Ann Wee, 'Some Social Implications of Rehousing Programmes in Singapore', in D.J. Dwyer, ed., The City as a Centre of Change in Asia, Hong Kong University Press, Hong Kong, 1972.

flats.<sup>25</sup> Another five per cent sample household survey undertaken in 1973 showed that the average household size declined from 6.2 persons in 1968 to 5.1 persons in 1973 while household monthly income increased from S\$318 to S\$445.<sup>26</sup>

Public housing in Singapore is provided for families with low to moderate incomes. Families are also encouraged to purchase their own flats under the 'Home Ownership for the People' scheme introduced in 1964 by making use of their credits with the Central Provident Fund. By the end of March 1975, 88,510 units have been sold under the scheme. For families unable to purchase their own flats, the rents are low enough even for the families with meagre means as they are usually fixed at 15 per cent of the family income. Some public housing flats, especially the one-room and two-room ones, are thus heavily subsidized by the Government. The emphasis given to the public housing programme clearly indicates its importance as an integral part of the national development policies. Public housing 'has not only accelerated urban development and re-development and enhanced social welfare but, with an ever increasing proportion of the population drawn into its ambit, has become a social barometer of the nation as well.'<sup>27</sup>

### Social Welfare

Social security will be discussed under another section while the present one attempts to describe the range of social welfare services provided by the Social Welfare Department and the voluntary welfare agencies in Singapore. Expenditure on social welfare services usually represents less than 0.5 per cent of the total Government current expenditure and with the limited funds available, the range of services provided by the Social Welfare Department is necessarily restricted. They included in 1973 the disbursement of public assistance and tuberculosis treatment allowances; the operation of 13 residential institutions; 6 children's centres and 12 creches; services for the care and protection of children and young persons, women and girls, destitutes and aged persons, services

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<sup>25</sup> See Yeung Yue-man, National Development Policy and Urban Transformation in Singapore, Department of Geography Research Paper No. 149, University of Chicago, 1973.

<sup>26</sup> See 'Singapore '74 Focus', in Far Eastern Economic Review, August 9, 1974, p. 24.

<sup>27</sup> Yeung Yue-man, op. cit., p. 169.

relating to family counselling, registration of mutual benefit organisations and control of massage establishments and emergency relief.<sup>28</sup>

Welfare services provided by voluntary organisations are co-ordinated by the Singapore Council of Social Service which has a membership of over 100 full members and associate members.<sup>29</sup> Most of these agencies are backed up by religious organisations and their activities are usually confined to running homes and centres. Voluntary welfare work was most active in the early 1950s but its functions have now diminished.

## 2. Labour Legislations

Legislations to protect the interests of employees in Singapore are embodied in the Employment Act of 1968, the Industrial Relations Act of 1968 and the Workmen's Compensation Act of 1975. The Employment Act of 1968<sup>30</sup> modernized, consolidated and extensively amended the previous legislations governing wages, hours, fringe benefits, overtime, holiday and sick leave, employment of women and children, inspections and investigations, claims and complaints, and other conditions of employment and work. Normal hours of work in Singapore are fixed at 44 per week, with overtime not to exceed 72 hours a month except under certain specified circumstances. One rest day in every seven is compulsory, as are 11 paid holidays per year. Employees with less than ten years of service with the same employer are entitled to seven days of paid annual leave; those with ten or more years to 14 days. Paid sick leave of up to 14 days a year is mandatory and, if hospitalisation is required, paid sick leave must be given up to a total of not exceeding 60 days. Workers with three years continuous service are entitled to redundancy payments which are made to a fund administered and dispensed to persons involved by the Ministry of Labour. In addition to the Central Provident Fund, which will be discussed later, employers are encouraged to establish their own provident funds or pension-retirement systems. Provisions for female employees include paid maternity leave, four weeks before and after

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<sup>28</sup> Annual reports of the Social Welfare Department gave a full account of the range of services provided by the Department as well as other voluntary welfare agencies in Singapore.

<sup>29</sup> See Annual Reports of the Singapore Council of Social Service.

<sup>30</sup> The Employment (Amendment) Act, 1975, Laws of Singapore.

confinement, for the first two children but not for any subsequent ones. Employment of women for night work is prohibited except under specified circumstances. Children cannot be employed until after completion of their twelfth year; young people from 13 to 16 require certificates issued by the Ministry of Labour before they can be hired and then only for light work; working at night is also prohibited.

The second statute safeguarding the interests of workers is the Industrial Relations Act which was also extensively amended in 1968.<sup>31</sup> Among its most important clauses are those defining the areas open to collective bargaining and those outside its scope which can only be determined by management, those defining the facilities and conditions for conciliation and arbitration, and those clarifying the compulsory powers of the Ministry of Labour and the Industrial Arbitration Court to prevent, delay, call off, and settle strikes. The Industrial Arbitration Court was first set up in 1960 with the function of deciding industrial disputes. Another significant development in the field of industrial relations was the establishment of a National Wages Council in 1972. It is a consultative body consisting of representatives from the Government, workers and employers and though recommendations of the Council are not mandatory, they are intended to be guidelines for wage policies.

In addition to a comprehensive code governing the safety and health of workers, a Workmen's Compensation Act is currently in force in Singapore.<sup>32</sup> It covers all manual workers and non-manual workers earning S\$750 or less a month, but family labour, domestic servants, casual employees and public servants are excluded. The entire cost of compensation is borne by the employer and since the amendment of the Act in 1975, every employer is required to insure against his liability with an insurance company. The Act provides for compensation to be paid to a workman or his dependants when he suffers personal injury by accident out of and in the course of employment.

In the case of temporary incapacity, a workman will be entitled to full wages, if hospitalisation is required, for a maximum period of 60 days. If the workman's injury does not require him to be hospitalized, he will be paid full wages of up to 14 days. If the injured workman's incapacity exceeds

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<sup>31</sup> The Industrial Relations Act, Chapter 124, Laws of Singapore.

<sup>32</sup> The Workmen's Compensation Act, 1975, Laws of Singapore.



the above-mentioned periods, he will be paid half-monthly during his incapacity or for a period of up to five years, whichever is shorter. The maximum half-monthly payment will be S\$195 or an amount equal to 1/3 of his monthly earnings, whichever is less. As to compensation for total permanent incapacity and fatal injury, it is calculated by the following formula:

$$\frac{\% \text{ incapacity}}{\text{(non-fatal case)}} \times \text{monthly earnings} \times \text{multiplying factor}$$

or

$$\text{monthly earnings} \times \text{multiplying factor} \\ \text{(fatal case)}$$

whereof the multiplying factor is determined by the age of the workman:

Age of workman	Multiplying factors in permanent incapacity cases	Multiplying factors in fatal cases
Below 40 years	12 years	9 years
40 – 49	10 years	7 years
50 years & above	8 years	6 years

There are limits to the amounts payable: for total permanent incapacity, the maximum compensation is S\$45,000 and the minimum is S\$10,800; for fatal injury, the maximum and minimum are S\$35,000 and S\$10,800 respectively.

The Act stipulates that a workman when injured must inform his employer or supervisor within seven days and the employer must then give notice to the Commissioner for Labour in a prescribed form and to his insurer in writing within ten days of the occurrence of the accident. The employer is responsible, when informed of an accident, to have his workman examined by a doctor within five days and he is liable to pay the cost of any medical treatment, medicines, artificial limbs and surgical appliances for the workman.

In addition to the above statutes, vocational training schemes are available for workers at technical and vocational institutes. Training grants ranging from S\$3,000 to S\$7,000 per trainee may be made available to companies that organise effective, government-approved, on-the-job training programmes.<sup>33</sup> The Government also operates an Employment Service for those seeking employment and during 1975, it received 28,380 applications.

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<sup>33</sup> See Asia Yearbook, 1976, Far Eastern Economic Review, p. 275.

Another area of labour welfare is the organisation of trade unions.<sup>34</sup> Trade unionism reached a peak in Singapore in the 1950s when the people were striving for self-government as most of the trade unions were politically oriented. This political element remained even after 1959 when trade unions were used by opposing political parties to rally support, resulting in a split in the Trade Union Congress; this led to the formation of the Singapore Association of Trade Unions which was pro-communist and the National Trade Union Congress (NTUC) which supported the People's Action Party. With support of the Government, the NTUC grew in eminence and annexed a total of 50 affiliated trade unions in 1975, representing 192,856 employees, or 92 per cent of unionised workers in Singapore.

As some of the NTUC leaders are also members of the PAP with a few even holding seats in Parliament, there is little difference in ideology between the trade unions and the ruling party. Trade unions, on the whole, have sided with the Government on every political issue. In return, the Government strengthened the position of the trade unions by providing them with assistance in setting up co-operative services including a co-operative insurance scheme and minibus operations. But this co-operation between the Government and the NTUC has diminished the image of trade unions as a bulwark of labour interest which showed in the limited number of workers joining the unions (Tables 3.3.4 and 3.3.5). In 1970, membership was 112,488. Only with strenuous pushes from the Government was membership boosted to 208,561 in 1975 but it still merely represented about 30 per cent of the total working force. The question therefore remains as to how far trade unions in Singapore are upholders of the workers' interests and not just puppets of the Government.

Judging from the range of social services provided and the number of labour legislations enacted to protect the interest of workers, Singapore could not be described as an unconcerned society. There is besides the fact that these services or legislations are not just paper commitments of the Government; their administration or enforcement is seriously taken up by an effective and efficient administration. Among the different types of social services provided, public housing and education have obviously been given the greatest emphasis,

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<sup>34</sup> Trade Union Act, Chapter 129, Laws of Singapore.

evidenced not only in terms of resources allocated but also in the sense of pride the Government has taken in their provisions. Compared to other types of social services, social welfare appears to be a neglected area with only a meagre sum spent on it and surrounded by negative attitudes.

On the whole, the provision of social services in Singapore is geared to the 'strong' rather than the 'weak', the normal rather than the abnormal. Public housing and education have thus received favourable treatments as they cater for a group who have a high potential to contribute in future to the creation of wealth, and thus the prosperity of the society. Workers are likewise a treasured group, especially when they are healthy and strong and legislations are instituted to protect their interests; but people are less favourably treated when they are weak and unproductive. Generally, those who have economically little to contribute and those in need of the support of others are least taken care of. Only minimum services are provided with the smallest share in the allocation of resources.

The Government may argue that in taking care of the entire population, in providing for them housing, medical care and education, the disadvantaged would also benefit. This emphasis on providing for the population as a whole, in aiming at constructing a healthy social environment, certainly has its own rationale. Social services provisions in Singapore have generally given the impression that they are an integral part of a progressing society and rather than being remedial measures, they have an important function of producing a hard working and disciplined community. They are positive measures initiated and executed by the Government for the purpose of stimulating growth and prosperity. They contrast strongly with the way in which social services are provided in some countries where they are regarded as merely remedial measures.

However, the approach adopted by the Singapore Government in social services provision is not without defects. Its emphasis on the contributive effects of social services tends to stress the political and economic rather than the social aspects of provision. There is no denying the fact that those in greatest need are cared for but they may not be the ones to benefit most from the provisions. Furthermore, this approach has made the provision of certain types of social services or legislations, which have strong compensatory

or remedial connotations, look incongruent. Therefore, social welfare services provided for the most disadvantaged and economically unproductive members are slighted and compare extremely unfavourably with education, vocational training and public housing. It will not be far from the truth to say that Singapore is generally administered in the interest of the strong rather than the weak.

Table 3.3.1 School Enrolment in Singapore

Year	Primary schools	Secondary schools	Technical and vocational institutes	Universities and colleges	Total
1970	363,518	145,740	4,727	13,685	527,668
1971	357,936	153,522	6,063	14,269	531,790
1972	354,748	161,371	5,841	15,318	537,278
1973	345,284	173,099	7,124	16,925	542,442
1974	337,816	174,177	6,250	17,802	536,045
1975	328,401	176,224	9,830	18,501	532,956
1976	316,265	177,992	11,751	20,594	526,602

Source: Singapore Yearbook of Statistics, 1976/77, Table 14.1.

Table 3.3.2 Medical Personnel

Year	Doctors		Dentists		Nurses	
	Government	Private	Government	Private	Government	Private
1970	496	867	102	296	2,840	1,461
1971	508	1,012	111	295	3,089	1,483
1972	507	1,017	93	302	3,244	1,178
1973	706	859	114	295	3,480	1,943
1974	774	812	131	291	3,878	1,853
1975	775	847	130	289	4,103	1,664
1976	740	965	131	302	4,393	1,567

Source: Ibid., Table 15.2

Table 3.3.3 Public Housing in Singapore under the HDB

Development plan	Dwelling units		Approximate proportion of population in public housing
	Target	Completion	
First 1960–65	51,031	54,430	25%
Second 66–75	62,120	64,114	35%
Third 70–75	100,000	106,200	45%

Source: See Yue-man Yeung, National Development Policy and Urban Transformation in Singapore, University of Chicago, Dept. of Geography Research Paper No. 149, 1973, p. 48.

Table 3.3.4 Employee Trade Unions, 1965–75

Years	Unions at end of year	Membership
1965	108	154,052
1966	108	141,925
1967	106	130,053
1968	110	125,518
1969	110	120,053
1970	102	112,488
1971	100	124,350
1972	97	166,988
1973	92	191,481
1974	90	203,561
1975	89	208,561

Source: Annual Report, 1975, Ministry of Labour, p. 52.

Table 3.3.5 Employee Trade Unions by Industry, 1975

Industry	No. of unions	Members
Agriculture, forestry and fishing	2	376
Mining and quarrying	1	291
Manufacturing	17	30,591
Electricity, gas and water services	10	14,208
Construction	2	1,341
Commerce	10	16,256
Transport, storage and communications	18	21,894
Financing, insurance and business services	5	7,277
Community, social and personal services	22	49,530
Others	2	66,797

Source: Ibid., p. 53.

#### IV. DEVELOPMENT OF SOCIAL SECURITY POLICIES IN SINGAPORE

Like other countries in the East and Southeast Asian region which had been under Japanese Occupation, the relief of the destitute was one of the most urgent problems the Singapore Government had to tackle after the Second World War. Measures taken by the Government included the creation of a Social Welfare Department in July 1946, and the enactment of a public assistance scheme to provide financial assistance for the needy. During its first year of operation, the public assistance scheme helped 3,570 cases with an expenditure of S\$194,895. In addition, certain funds were re-established to provide supplementary assistance to relieve poverty. One of these, the Silver Jubilee Fund, was first established in 1936 out of money collected for the celebration of the Silver Jubilee of King George V and others included the Far Eastern Relief Fund and the Malayan War Relief Fund. Some churches, temples, mosques and mutual benefit organisations also provided, in one form or another, cash relief to destitutes during this period.

A social survey conducted by the Department of Social Welfare in December 1947 reported that many immigrants in Singapore, especially those coming from China, could no longer be regarded as 'birds of passage', as their connection with their home countries were only partial and 'by no means as definite and tangible as has hitherto been supposed'.<sup>35</sup> Long-term measures to improve their living conditions were thus considered necessary.

A Five Year Plan for Social Welfare Development approved in 1949 subsequently defined the categories of persons who would be eligible under the public assistance scheme, viz. (i) the aged, (ii) widows and orphans, (iii) the sick and (iv) the temporarily unemployed.<sup>36</sup> At the same time, a tuberculosis treatment allowance scheme was introduced in March 1949 providing financial assistance for families whose heads were suffering from tuberculosis, a major killer-disease in the 1940s and 1950s.

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<sup>35</sup> Department of Social Welfare, A Social Survey of Singapore: A Preliminary Study of Some Aspects of Social Conditions in the Municipal Area of Singapore, Government Printing Office, Singapore, 1947, p. 121.

<sup>36</sup> See Director of Social Welfare, Annual Departmental Report, 1950, Government Printing Office, Singapore.

The proposals of the Five Year Plan on public assistance were brought into effect in a new public assistance scheme which was introduced in 1951. As the unemployed were eligible under the new scheme, the number of families dependent on public assistance was boosted from 2,714 in 1951 to 4,162 in 1952, an increase of 53 per cent. A Public Assistance Board was constituted in November 1951 to supervise the operations of the scheme and its terms of reference were:

(a) to advise on the administration of outdoor public assistance by the Social Welfare Department; (b) to make recommendations to Government in any modification considered necessary in the approved rates and conditions of benefits, in the light of current condition; and (c) to consider, in consultation with the Department of Social Welfare and, if desired, with the Social Security Working Party, the question of placing the system of outdoor social assistance on a statutory basis and to draft legislation for the purpose.<sup>37</sup>

The terms of reference of the Board and the formation of the Social Security Working Party clearly indicated that the then Colonial Government was prepared to introduce new social security schemes rather than just public assistance. The 1951 Annual Report of the Social Welfare Department spoke most clearly of this intention of the Government:

Again, the work of the Public Assistance Section is certain to grow in volume and complexity. Perhaps, in the more distant future, as the emphasis changes from Assistance Scheme to Social Insurance, a new Department (or Ministry) will arise to replace the Section.<sup>38</sup>

The Government's proposal of introducing a comprehensive social security system resulted in the formation of working parties on social security and the invitation of technical assistance from the International Labour Office to study the feasibility of introducing social insurance in Singapore. While the problem was under study, the Social Welfare Department was commissioned in 1953 to conduct a survey on urban incomes and housing. Although a report of the survey was not published until 1958, the information collected was available to those studying the problem of social security. However, mainly due to a change of government in 1959, the recommendation to introduce a social insurance scheme, the result of the efforts of the ILO experts and investigations

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<sup>37</sup> Social Welfare Department, Annual Report, 1951, p. 37.

<sup>38</sup> Ibid., p. 49.

made during this period, was shelved and never materialised. The only measures the Colonial Government had implemented in the 1950s were the introduction of a Central Provident Fund in 1954 and the inclusion of the Social Welfare Department into the Ministry of Labour and Welfare. Notwithstanding the discarded recommendations, it is worthwhile to look into these reports and examine the arguments which had supported a comprehensive social security system.

Urban Incomes and Housing: A Report on the Social Survey of Singapore 1953–54

This Survey was not directly related to social security but it reported on the extent of poverty and had a detailed analysis of the public assistance scheme as it existed between 1953–54. The findings of the Survey on poverty has already been discussed and it remains only to relate its analysis on the public assistance recipients. The analysis was based on information supplied by families and persons who called at the Social Welfare Department during a 30-day period in July/August 1953. Of the 6,889 cases analysed, it was found that the majority were receiving assistance because of sickness, old age and widowhood. Although the old age recipients constituted only 1/4 of the cases, the study warned of the impending old age problem as ‘in the course of the next two or three decades, it will be of greater magnitude than the one now facing us.’<sup>39</sup> Compared with the ethnic composition of the general population, the Survey found that public assistance recipients were unevenly distributed among the three major ethnic groups: the incidence of poverty was slightly higher among the Chinese and lower among the Indians.

Report of the Committee on Minimum Standards of Livelihood

The Committee, chaired by Sydney Caine, was constituted on 21 November 1955, with the following terms of reference:

to examine and report on the desirability and feasibility of Government action to promote the establishment of minimum standards of livelihood for the people of Singapore, including the institution of unemployment insurance, the prescribing

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<sup>39</sup> Goh Keng Swee, op. cit., p. 188.



of minimum wages, either generally or in selected industries, and the extension of existing measures of social security through pensions, provident schemes or otherwise.<sup>40</sup>

The Committee reported to the Legislative Assembly on 27 September, 1956 and published a Report in 1957. The Committee first set out to examine the nature of social security and stated that social security measures 'cannot in themselves add immediately to the total "national income"... Their primary object is to redistribute that income.'<sup>41</sup> The immediate problem in a social security programme, as projected by the Report, was thus one of redistribution of current income and a new creation of wealth. But some of the positive effects of a social security system was affirmed in the Report such as

the reduction of industrial stoppages by having a more contented body of wage-earners, the improvement in health and working capacity by reducing malnutrition, and the stabilizing effects of social security payments by maintaining demand and therefore economic activity in times of trade depression.<sup>42</sup>

The Report, however, warned against the negative outcomes such as the danger of a reduction in the incentive both to work and to save in a more equal distribution of incomes.

The Report then went on to discuss some of the arguments that had been put forward against the introduction of a comprehensive social security system in Singapore. These arguments stressed, first, that there was basically not enough income to provide for transfer; secondly, that a substantial number of workers in Singapore were self-employed or casual; and, thirdly, that contributions to a social insurance scheme would result in a loss of business and subsequently a reduction of employment opportunities. To the first argument, the Report's answer was that 'resources in Singapore should be possible to provide the minimum transfer necessary, provided income per head is maintained at around its present level.'<sup>43</sup> As to the second and third arguments, the Report thought that the inclusion of the self-employed and casual workers in a social insurance scheme would inevitably create difficulties but they were not insurmountable. A social insurance scheme needed not have an adverse effect on Singapore's economy, especially when the claims of social justice was weighed together with the business costs.

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<sup>40</sup> Sydney Caine (Chairman), Report of the Committee on Minimum Standards of Livelihood, Government Printing Office, Singapore, 1957, p.v.

<sup>41</sup> Ibid., p.1.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

On examining the social conditions relevant to the provision of social security, it was noted in the Report that 'many employers (in Singapore) adopted a paternalistic attitude towards their employees and undertook on their behalf various responsibilities which in other countries have been assumed by charitable organisations and the State.'<sup>44</sup> These provisions might include medical care and sick leave, and contributions to retirement pension schemes. The Report further examined the provisions of the public assistance scheme, the tuberculosis treatment allowance scheme, the Central Provident Fund and the workmen's compensation scheme and came up with the conclusion that they were not adequate. Reference was also made to a previous report produced by a Retirement Benefits Commission, appointed in 1951, which suggested the establishment of a retirement pension scheme.<sup>45</sup>

Another part of the Report made extensive enquiry into the problem of poverty and reaffirmed most of the findings of the Report on Urban Incomes and Housing in concluding that 'interruption of earnings, irregularity of earnings, old age, and death of the family breadwinner, seem between them to account for about 50 per cent of the extent of poverty.'<sup>46</sup> The categories requiring most urgent assistance were thus the aged; the widows with young children or who for other reasons were unable to work; the sick; and the unemployed.

Based on the above findings, the Report recommended the immediate introduction of a social insurance scheme covering all wage earners and the self-employed but excluding Government servants. The risks covered and benefits provided at the outset should include old-age retirement, widow's pensions, non-occupational sickness and maternity benefits. It was further recommended that unemployment benefits should be added as soon as feasible. As to the rates of benefits, they should be related to previous earnings, but higher for lower paid workers and also increased on account of dependants. The system should be financed by contributions of employees and employers, with

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<sup>44</sup> Ibid., p. 24.

<sup>45</sup> After considering the relative merits of a pension scheme providing a regular monthly income from retirement until death and a provident fund providing a capital sum on retirement, the Retirement Benefits Commission recommended that a pension scheme would be better adapted to the circumstances prevailing in Singapore. The Government did not, however, accept the recommendations of the Commission and adopted instead the principle of a central provident fund and a scheme was introduced in 1955.

<sup>46</sup> Ibid., p. 24.

the Government undertaking to meet the costs of administration and to cover the deficits arising out of payment of benefits to workers now approaching retirement age. Contributions should be related to wages; but while the rate for employers would be uniform, a lower rate would be set for the lower paid workers. The Report suggested the establishment of the existing public assistance system on a formal statutory basis and extension of the allowance to satisfy the residual needs not provided for in the social insurance scheme. The Report was on the whole favourably received by the Government and a committee of officials was subsequently established to examine its recommendations as well as the International Labour Office Report to the Singapore Government on Social Security.<sup>47</sup>

#### ILO Report to the Government of Singapore on Social Security Measures

At the same time that the Caine Committee was constituted, a request was made by the Singapore Government to the International Labour Office to undertake an examination of the possibilities of introducing a contributory scheme for the assistance of workers in Singapore who were ill or unemployed. The major reason for this request as given was that 'Singapore faced the prospect of rapidly increasing expenditure on social services and calculated that the introduction of an insurance scheme would diminish the demand on relief funds.'<sup>48</sup> An expert of the ILO, Mr. G.J. Brocklehurst, was subsequently appointed to carry out the mission. A Report was later drawn up and published in 1957. The terms of reference given to the expert at the beginning of his mission were:

- (1) to inquire into the existing measures in the field of social security in Singapore, including public assistance, sickness allowances and tuberculosis treatment allowances, medical care in government and other hospitals, workmen's compensation, maternity benefits and leave under the Labour Ordinance, the central provident fund scheme, welfare schemes of individual employers and voluntary organisations carrying out social security measures, and other measures that may exist, including those for which clan associations, guilds, and other sectional organisations may be responsible;
- (2) to review these measures in the light of the total security needs of the community, having regard to the desirability and practicability of any proposed schemes being on a contributory basis and having regard also to the resources of Singapore; and
- (3) to formulate proposals for the introduction of such new measures as are required to eliminate deficiencies and gaps that may now exist, with a view to producing eventually a comprehensive and rationally integrated social security system in Singapore.<sup>49</sup>

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<sup>47</sup> See Ida C. Merriam, 'Social Security and Economic Development: With Comments on Social Security Proposals for Singapore', The Malayan Economic Review, Vol. II, No. 2 (October 1957).

<sup>48</sup> G.J. Brocklehurst, Report to the Government of Singapore on Social Security Measures, Government Printing Office, Singapore, 1957, p.1.

<sup>49</sup> Ibid.

The Report did not differ very much from that of the Caine Committee on Minimum Standards of Livelihood to which Mr. G.J. Brocklehurst was also an adviser. A large part of the Report was an examination of the existing social welfare measures including the Central Provident Fund, the workmen's compensation scheme, public assistance and a wide range of quasi-financial provisions. The existing measures were then related to the social security needs experienced by the Singapore people. The Report recommended, more or less as the Caine Report did, the introduction of a contributory social insurance scheme which would carry its own sources of revenue and 'permit a broad pooling of the risks to be dealt with.'<sup>50</sup>

The Report suggested a gradual introduction of social insurance to cover at the first instance those classes of employees covered by the Central Provident Fund. The casual workers, self-employed and independent workers would later be included. The Report further recommended the new scheme to be confined initially to the provision of cash benefits in respect of temporary incapacity for work caused either by non-occupational sickness or by maternity. Old age, invalidity and survivors benefits would be added a year later and it was envisaged that the workmen's compensation scheme would also be incorporated at a later stage. A bi-partite financing system was recommended with contributions from only the employers and employees. The Report envisaged that it would be necessary for public assistance to continue to provide for those needy persons not covered by the new social insurance scheme, but it would be desirable to put it on a statutory basis and to establish definite qualifications and assistance. A new Social Security Department was seen to be necessary to be responsible for the administration of the new scheme, as well as public assistance and other social welfare services.

The recommendations of the Report was accepted in principle by the Colonial Government and a committee of officials was established to correlate the two reports by Mr. G.J. Brocklehurst and the Caine Committee and 'to recommend courses of action to be taken by Government in a long term programme for the introduction of the various schemes recommended.'<sup>51</sup> The committee of officials produced an interim report on 30 September, 1958 and recommended to the Government the following actions: (1) to make an urgent request to the ILO

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<sup>50</sup> Ibid., p. 81.

<sup>51</sup> Interim Report of the Committee of Officials Established to Examine the Recommendations of the Brocklehurst and Caine Committee Reports, Government Printing Office, Singapore, 1959, p. 1.

for an expert, well versed in introducing social insurance schemes, to come to Singapore and draft the necessary legislations and (2) to secure the services of an actuary from the United Kingdom Government Actuary's Department to come and assist in collecting the necessary actuarial information. As a result of these recommendations, an expert from ILO Headquarters in Geneva subsequently arrived in Singapore and helped in preparing the legislations on a new social insurance scheme. He produced a report in 1959.<sup>52</sup> It was thus apparent that had there not been a change of Government in Singapore in June 1959, a social insurance scheme would have been introduced then.

Of the many urgent matters requiring attention in the early 1960s, social security was low on the priority list. The main thrust of the Government in the years immediately after self-government was given to economic development; the Government was not convinced of the desirability of introducing social insurance at a time when resources were urgently needed in other areas. It was clearly stated in the State Development Plan, 1961–64, that investment in social capital would not be considered, and it is worthwhile to quote in extenso:

Very rapid investment in social capital is necessary to keep pace with the population growth, if the standard of services hitherto provided is to be maintained. But as this investment has very often to be made at the expense of even more urgent economic investment, the immediate objective may have to be less ambitious . . . . Some of the less urgent social investments may have to be postponed to subsequent years.<sup>53</sup>

Ambitious plans for immediate improvement of social services have to be eschewed. Such plans can only be implemented by diverting much of the available capital resources from other even more pressing needs. The most pressing need is to increase employment and consequently national income to match the population growth . . . . The level of social services in a community cannot be divorced from the long-term economic realities of any length of time without inviting a collapse of these services.<sup>54</sup>

In short, Singapore was considered unable to afford social insurance and the Government's feeling can be seen from the meagre sum, less than 0.2 per cent, allocated for social welfare purposes in the Development Plan.

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<sup>52</sup> F.B. Matthews, Report to the Government of Singapore on a Proposed Social Security Scheme, International Labour Office, Geneva, 1959.

<sup>53</sup> Ministry of Finance, State of Singapore Development Plan, 1961–1964, Government Publication Bureau, Singapore, 1961, p. 6.

<sup>54</sup> Ibid., p. 33.

Furthermore, the new Government was worried over the numerous number dependent on public assistance and the public assistance scheme was revised in 1959 with the purpose of restricting the number of recipients. The revision included a slight increase of allowance payable to a recipient who was certified to be permanently disabled, but the maximum assistance for a household per month was limited to S\$90, and able-bodied unemployed persons without dependents were no longer eligible. Furthermore, public assistance was limited to Singapore citizens, though formerly persons with one year residence were already eligible. Since the early 1960s, the possibility of introducing social insurance has never been considered again and Singaporeans have not been given the slightest illusion that their country would follow the steps of other industrialising nations in instituting a comprehensive social security programme.

The rejection of social insurance, or the institution of a comprehensive range of social security benefits, arose mainly from a rejection of the concept of the 'welfare state'. To the leaders of the People's Action Party which ruled the Government in Singapore since its self-government, the 'welfare state' notion has been synonymous with laziness and dependence instead of social solidarity and caring.<sup>55</sup> Even in the 1970s, the stand of the Government on this issue was one of unequivocal rejection:

Singapore must eschew one of the characteristics of the Welfare State syndrome, where everyone expects others, not himself, to work harder to carry the subsidies for services everyone wants. For us, a yet to be developed and fully industrialised society, this selfish rejection of the work ethic is fatal. On the contrary, hard work and high performance must be encouraged and rewarded. No one should get away with enjoying services, subsidised through the hard work of others, without making his own contribution to the best of his ability and capacity.<sup>56</sup>

There may be grounds for the Government to reject instituting a comprehensive social security scheme in the early years after the independence of the country when resources were scarce and enormous amounts of capitals were needed for economic development. The situation has, however, changed with the growing prosperity which Singapore has successfully achieved through rapid industrialisation. In fact Singapore now possesses most of the favourable factors for the introduction of social insurance and its ground for not accepting it is only the belief that it is fatal to the work ethics upheld by the Government.

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<sup>55</sup> See Richard M. Titmuss, Essays on 'the Welfare State', 2nd Edition, Allen and Unwin, London, 1963.

<sup>56</sup> The view was given in the speech of the President at the opening of Parliament in 1972. See Singapore '73, p. 25.

The arguments for and against the introduction of social insurance are thus based on entirely different grounds. The reports prepared before 1959 based their findings mainly on the need which usually existed in an industrializing society. The new Government after 1959 did not deny that such a need existed but it was sceptical about the functions of a comprehensive social security programme and was particularly sensitive to the harmful effects that it might bring to the country in terms of decreased labour initiative and depressed economic output. Different conclusions were thus reached before and after 1959 by different groups of people looking at the problem of social insurance from different angles. The need for income security pointed out before 1959 still remains and has probably grown in Singapore with the country approaching mature industrialism, but the Government has so far maintained its stand and has attempted to solve the problem with measures which are more congruent with the philosophy of the 'rugged society'.

## V. EXISTING SOCIAL SECURITY PROVISIONS IN SINGAPORE

Social security provisions in Singapore include the Central Provident Fund, the Redundancy Payments Fund, the public assistance scheme, the tuberculosis treatment allowance scheme and other forms of financial assistance paid out from various trust funds. Workmen's compensation should also be included as a part of the social security programme and it has already been described in a previous section. Apart from these, there exist in Singapore a large number of mutual benefit organisations running schemes to provide burial grants and assistance for beneficiaries of deceased members. Though these mutual benefit schemes are not enacted by the Government, they nevertheless perform similar income security functions.

### 1. Public Assistance

The public assistance scheme in Singapore does not guarantee a basic living standard for needy households. Although its allowances are revised from time to time, they do not necessarily increase with the general living standard. In fact, existing rates are so low that very few people are eligible under the scheme and the number of cases has remained below 10,000 since the early 1970s (Table 3.5.1). Even the expenditure on the scheme has generally been decreasing over the years and the slight increase in 1973 and 1976 was only caused by a revision in these two years.

under the existing arrangement of the public assistance scheme, the following categories of Singapore citizens may apply for financial assistance (a) the aged; (b) the advanced tuberculosis patients; (c) the chronically sick; (d) the physically and mentally handicapped; (e) the widowed and orphaned; (f) the unemployed. The able bodied unemployed under 55 years of age, without dependants, are not eligible. The rates of allowance are as follows:

	S\$ per month
Head of household	40
Wife	26
Dependant	17

The maximum assistance a household may receive is S\$100 per month. A means-test is applied to all applicants, and generally earnings of the household are disregarded for purposes of assessment if it does not exceed a certain amount. A Work Incentive Credit System has been introduced in 1973 through which public assistance recipients are encouraged to take up part time or casual employment and part of their earnings up to S\$25 a month is disregarded for the purposes of assessment. In addition to public assistance, a disability allowance of S\$10 per month may be payable to a head of household who is certified as permanently disabled and incapable of engaging in gainful employment. This disability allowance has not been raised since its first introduction in 1959.

## 2. Tuberculosis Treatment Allowance Scheme

The scheme was first introduced in 1954 when tuberculosis was a main killer-disease in Singapore. With improvements in housing conditions, better nutrition and medical care, the problem of tuberculosis infection has largely receded, though the tuberculosis treatment allowance scheme still remains. In 1975, only 97 families were receiving allowance under the scheme with a total annual expenditure of S\$180,570. Eligible persons must be Singapore citizens who are undergoing medical treatment for tuberculosis and likely to regain their former working capacity.

The rates of allowance payable under the scheme, subject to a maximum of S\$120 per month for each household, are as follows:



	S\$ per month
Head of household (out-patients)	45
Head of household (in-patient)	5
Wife or first adult dependant	25
Each dependant (16 years & above)	15
Each dependant (under 16 years)	12

In addition to the above two schemes, financial assistance to cover educational and funeral expenses may be available from a number of trust funds such as the Silver Jubilee Fund, the Lee Foundation and the Cheang Hong Lim Burial Ground Charity Fund. The total amount of assistance paid out in 1975 from the Silver Jubilee Fund was S\$197,959.

### 3. Central Provident Fund

The Central Provident Fund is a compulsory scheme towards which most employed residents in Singapore and their employers contribute.<sup>57</sup> Those in public service and in Government-aided schools are excluded as they have special pension systems. People earning less than S\$10 a month and those who have not worked with the same employer for more than a month are also excluded. The Central Provident Fund is administered by a Board comprising a chairman and six members. The members represent the Government, the employers and the employees but are all appointed by the Minister of Labour.

Contributions to the Central Provident Fund vary with the wage class of the employee. For employed persons earning from S\$10 to S\$200, the amount payable by the employer is 15 per cent<sup>58</sup> of the total amount of the employee's wages for the month; the employee does not have to contribute. For employed persons earning over S\$200 but less than S\$363, the amount payable by the employer equals the sum of 15 per cent of the total amount of the employee's wages for the month and one-third of the difference between the total amount and S\$200; employees within this wage class pay one-third of the difference of their wages and S\$200. For employed persons whose earnings exceed S\$363 a month, the amount payable by their employers equals the sum of 30 per cent of the employee's ordinary wages for the month subject to a

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<sup>57</sup> Central Provident Fund Act (Chapter 121), Laws of Singapore.

<sup>58</sup> The Central Provident Fund contribution rate by both employer and employee was raised from 15 per cent to 15½ per cent in July 1977. The one per cent increase cannot however be used to buy Government-built housing flats. See 'Ensuring Singapore wage earners retire with some security', Straits Times, 20 September, 1977.

maximum of S\$450 and 30 per cent of the amount of additional wages payable to the employee in the month; employees on their part pay one-half of the total amount payable by their employers.<sup>59</sup> Contributions of both employers and employees are collected as a kind of payroll tax with the share of the employees recoverable by the employer from the wages of the employees.

Benefits provided by the Central Provident Fund are payable in the form of a lump sum and may only be received under the following conditions: to be eligible for the old-age grant, an employed person must be 55 years of age or it may be payable after two years at any age if the person covered has permanently ceased employment. An invalidity grant is payable when an employed person is permanently incapacitated for work or in the case of death, a survivor's grant to his nominated survivors or legal heirs. The amount payable in all cases is equivalent to total employee and employer contributions paid in since 1954 plus interests. Withdrawal of contributions other than on the above conditions are not allowed but members may borrow money from the Fund to purchase public housing flats under the 'Home Ownership Scheme'.

At the end of 1976, the number of Central Provident Fund members stood at 1,177,538 with an accumulated balance of S\$4,066 million. The Fund has now been in existence for over 20 years and so far contributions have exceeded withdrawals. But as more and more members reached retirement age, the number of withdrawals will increase and may equal that of contributions. However, the Fund will continue to be, as it has been since its establishment in 1954, an important funding source for development projects.

#### 4. Redundancy Payments Fund

In addition to the Central Provident Fund, a Redundancy Payments Fund was established in 1968 to ensure that redundancy payments due to laid off employees are conserved through payments into the Fund. At the end of 1975, the Fund had 1,744 members and a capital of S\$3,121,533.

#### 5. Mutual Benefit Organisations

Mutual benefit organisations have a long history in Singapore though they were not formally regulated by law until the passage of the Mutual

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<sup>59</sup> The Central Provident Fund Act, Subsidiary Legislation Supplement, No.S173, 1974.

Benefit Organisation Ordinance in 1960.<sup>60</sup> The Ordinance defines a mutual benefit organisation as

any organisation which by its objects and rules either as the principal object or as an ancillary object makes provision by voluntary subscriptions of the members therefor or subscribers thereof with or without the aid of donations for—

- (a) the relief or maintenance of the members of subscribers, their husbands, wives, children, fathers, mothers, brothers, sisters, nephews, nieces or wards, during sickness or other infirmity, whether bodily or mental, in old age or in widowhood or for the relief or maintenance of the orphan children of members of subscribers during minority; or
- (b) the payment of money on the birth of a member's or subscriber's children, on the death of a member or subscriber or of the child, husband, wife, parent or grandparent of a member or subscriber or on the death of any other person or for the funeral expenses of the member or subscriber or of the child, husband or wife of a deceased member or subscriber, or
- (c) the relief or maintenance of the members or subscribers when unemployed or when in distressed circumstances.<sup>61</sup>

Benefits provided by the mutual benefit organisations, as stipulated in the Ordinance, could range therefore from maternity grants to sickness allowance, funeral expenses to even assistance for subsistence living. Since the Ordinance serves mainly to regulate and not to govern the operation of the mutual benefit schemes, the range of benefits that are provided in reality could be very limited. Most benefit organisations especially those formed among the Chinese, usually have parent bodies such as clan associations, thus making the schemes more viable and stable. The relationship between a clan association and a mutual benefit organisation is often so close that the institution of mutual benefit schemes is taken as a form of concern for fellow clansmen and is not strictly based on actuarial equity. According to a study in 1965, of the 418 mutual benefit organisations instituted, 304 were formed among the Chinese, with a total membership of 133,655.<sup>62</sup> Data on the mutual benefit organisations are generally not easily available as the organisations are only required to register with the Social Welfare Department; the number of mutual benefit organisations at the end of 1975 was 417 with a total membership of 190,718. The long existence of the mutual benefit organisations indicates that the concept of mutual

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<sup>60</sup> Mutual benefit organisations are now regulated by Mutual Benefit Organisations Act, 1970, Laws of the Republic of Singapore.

<sup>61</sup> Mutual Benefit Organisations Ordinance, 1960, Laws of Singapore, Section 2.

<sup>62</sup> See Ng Kwee Choo, Chinese Mutual Benefit Organisations in Singapore, mimeograph, undated.

aid is acceptable to the Singapore people and in nature, a mutual benefit scheme differs slightly from the Central Provident Fund as benefits in a mutual benefit scheme are distributed to members mainly according to need. A mutual benefit scheme is therefore akin to social insurance, as it is to a certain extent based on the principle of 'pooling of risks'. Mutual benefit organisations in Singapore are, however, so loosely organised and limited in functions that the benefits they provide are by no means equivalent to which might be expected of a formal social insurance scheme.

<sup>4</sup> Among the different types of social security provisions presently existing in Singapore, the Central Provident Fund is the most important and covers practically all employed persons. The Central Provident Fund provides lump sum benefits to members or their survivors in case of invalidity, retirement and death, risks classified as long-term. However, the amount which members or their survivors receive only equals their contributions; thus the longer they have contributed the greater will be their entitlement. An employed person who has been contributing to the Fund since working will be quite adequately provided for when he retires as the total sum contributed by those earning S\$200 and above a month represents almost 1/3 of their earnings. Whereas for those earning less than S\$200 a month, only their employers are required to contribute and the rate is equal to 15 per cent of the employees' earnings, the amount they are entitled to thus being smaller. The redistributive function built into the Central Provident Fund is therefore insignificant as the degree of protection varies with the level of incomes and the more a person earns the greater will be the protection.

In nature, the Central Provident Fund functions as a compulsory savings scheme and serves as the main source of income for employees encountering long-term risks. Though as a social security measure, the Central Provident Fund is both limited in scope and restricted in its redistributive effects, it nevertheless brings to the country a number of benefits not intended when the scheme was first instituted. First, as the reserve accumulated by the Fund increased, it gradually became one of the major sources of domestic borrowings and successfully financed a wide range of development projects thus generating employment opportunities. Secondly, since 1964, members of the Fund have been allowed to use their credit with the Fund to buy public housing flats. Now almost half of those living in public housing estates own

their flats in Singapore and this would not have been possible without the financial facilities made available by the Central Provident Fund. Thus, the Central Provident Fund must not be evaluated only on the range of income protection provided, but also its social and economic implications.

For short-term risks, employees in Singapore are largely protected by the Workmen's Compensation Act. All employers in Singapore are now required to ensure their liability regarding workmen's compensation with insurance carriers. Benefits provided are, however, limited in scope. An injured person receives only 2/3 of his average earnings and no pensions are available to those permanently incapacitated or to their survivors in case of death. In addition, only those earning less than S\$400 a month are covered by the Act. The inadequacy of coverage for short-term risks is aggravated by the fact that no family in Singapore can actually rely on public assistance even for a minimum standard of living. Disabled workers or persons encountering risks not of an occupational nature will therefore have a hard life when they exhaust their means and are forced to live on public assistance. Some people may further protect themselves by contributing to mutual aid organisations but again, the protection is limited.

The present social security arrangement in Singapore shows its strength in provisions for long-term risks; but it is ineffective so far as short-term injury and sickness are concerned and is totally unprepared for the risk of unemployment. Benefits are structured in such a way that they largely relate to the income level of employees and scarcely redistribute resources between different income classes. To improve the social security system in Singapore, coverage for short-term risks should therefore receive priority attention and it is also desirable, especially as Singapore advances into mature industrialism, to make the system more adequate in caring for the disadvantaged and low income earners.

Table 3.5.1 Public Assistance and Tuberculosis Treatment Allowance

Year	Public assistance		Tuberculosis treatment allowance	
	No. of cases	Expenditure S\$	No. of cases	Expenditure S\$
1946(Jul.-Dec.)	3,570	194,895		
1947	2,254	262,418		
1948	2,193	244,656		
1949	2,109	221,746	(Apr.-Dec.)	100,468
1950	2,524	271,618		228,492
1951	2,714	385,817		405,349
1952	4,162	913,104		890,887
1953	6,835	2,423,503		1,239,990

Table 3.5.1 (Continued)

Year	Public assistance		Tuberculosis treatment allowance	
	No. of cases	Expenditure S\$	No. of cases	Expenditure S\$
1954	9,943	3,595,311	1,461	1,454,396
1955	12,960	4,799,584	1,693	1,712,196
1956	14,895	5,564,666	1,969	1,991,091
1957	16,590	6,229,655	2,094	2,121,004
1958	19,051	6,922,409	2,081	2,362,368
1959	20,460	7,746,840	2,644	2,770,668
1960	22,387	7,398,179	2,186	2,049,688
1961	22,000	7,216,554	—	1,895,713
1962	23,401	8,890,021	2,222	2,141,693
1963	25,372	9,723,464	—	1,886,186
1964	27,435	10,736,697	1,706	1,713,587
1965	24,808	9,313,792	1,426	1,441,417
1966	22,241	8,262,815	1,084	1,070,707
1967	19,149	6,813,511	794	755,153
1968	16,554	5,713,018	559	510,279
1969	13,965	4,676,720	413	360,037
1970	10,982	3,516,996	313	248,366
1971	8,915	2,719,906	240	181,768
1972	7,881	2,341,148	177	136,292
1973	7,407	3,041,522	145	109,267
1974	7,031	2,917,102	116	95,471
1975	7,015	2,935,893	97	80,569
1976	—	3,617,800	—	43,900

Source: Director of Social Welfare, Annual Report, Social Welfare Department, Singapore, various years.

Table 3.5.2 Central Provident Fund

Year	No. of members	(S\$ Million)		
		Contributions	Withdrawals	Total amount due to members
1964	393,743	42.5	7.6	306.3
1965	417,594	46.9	9.8	359.0
1966	442,351	51.5	12.9	415.9
1967	465,029	55.8	16.5	477.3
1968	504,828	68.0	30.7	539.7
1969	560,133	106.6	42.4	632.2
1970	638,829	156.4	45.7	777.5
1971	714,657	223.6	56.4	987.9
1972	855,307	330.8	57.9	1,316.0
1973	961,991	474.7	93.5	1,770.7
1974	1,046,601	686.5	154.1	2,413.7
1975	1,104,417	886.6	217.0	3,234.9

Source: Singapore '76, p. 264.

Table 3.5.3 Classification of Registered Mutual Benefit Organisations, 1973

Type A	–	Collection on death of a member or registered relative	124
Type B	–	Quarterly or other periodical contributions of monthly subscriptions to beneficiaries of deceased members	190
Type C	–	Miscellaneous organisations comprising mainly Muslim organisations	110
Type D	–	Insurance type organisations involving payment of a fixed sum on death of a member or a registered relative	3

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Source: Director of Social Welfare, Annual Report, 1973, Social Welfare Department, Singapore, p. 58.

## VI. AN EVALUATION OF THE SOCIAL SECURITY POLICIES IN SINGAPORE

The development of social security in Singapore experienced a major change in policies in 1959, which effectively marked out two periods for the study of this provision. In the years immediately after the Second World War, the emphasis was put on the establishment of a public assistance scheme providing relief for the destitute with whatever resources available in the country. In 1951, the scheme was reorganised defining clearly the categories of recipients who would form the target population. The Colonial Government in the early 1950s had the intention of putting the public assistance scheme on a statutory basis as a guarantee for a minimum standard of living above the subsistence level, though it was not undisturbed in face of the increasing expenditure on the scheme. The introduction of the tuberculosis treatment allowance scheme in 1954 marked another improvement on the social security system but in retrospect, the step represented mainly an ad hoc measure of the Government to grant additional assistance to the large number of tuberculosis patients who would otherwise be totally dependent on public assistance.

The first attempt to study the possibility of improving the social security system as it existed in the early 1950s was the Retirement Benefits Commission set up in 1951. Though the Commission recommended a contributory pension scheme, the Government opted for the provident fund principle and introduced a Central Provident Fund in 1955. On the other hand, a social survey on Urban Incomes and Housing conducted during 1953 and 1954 clearly showed that poverty was widespread in Singapore and the public assistance scheme was far from adequate in providing people with the minimum living requirements. A comprehensive social security system was thus called for and the Report of the Caine Committee on Minimum Living Standards confirmed the need for the introduction of social insurance. At the same time, the Colonial Government had also solicited the opinions of ILO experts who were in favour of establishing contributory schemes to cover old age, sickness, maternity, invalidity, death and even unemployment.

Why then were these recommendations made in the 1950s rejected by the present Government set up in 1959? So little has in fact been mentioned since then about a comprehensive social security system except in a negative sense



that Singaporeans have almost forgotten that such had been recommended. Anyhow, the present Government's position is obvious; Singapore would not become a 'Welfare State' which is taken to mean that people are 'receiving benefits without having to work'. How then is this inaction of the Singapore Government on social security, or social insurance in particular, to be assessed? By Western standards, or even by the Universal Declaration of Human Rights, Singapore is certainly backward in this respect. But does the absence of social insurance necessarily imply an unconcerned attitude of the Government towards the welfare of its people?

The last doubt anyone would have about the Singapore Government is its integrity and earnestness in working towards a fair and equitable society. The achievements of the Government in the area of social services, if not social security, amply demonstrate this commitment. Children are now provided with education to learn and to acquire the basic skills of earning a living. Grants and financial assistance are also generous enough to enable every Singaporean of ability to stay on in school and advance his studies. Health care is another area of success in Singapore. Tuberculosis has long been controlled and people are on the whole enjoying good health. If the medical care system in Singapore is not as good as in some Western countries, it is definitely one of the best in the East. The Government can also be proud of its achievement in its public housing programme which is certainly more than just a roof over people's heads. The commitment of the Government to promote the welfare of its people is therefore not in dispute.

Neither can it be said that the absence of a comprehensive social security programme is a feature of the Government's desire to be agreeable to the business men.<sup>63</sup> It is true that the Singapore Government has always been generous towards the 'pioneer industries' and has given investors a lot of conveniences not available in other countries; but it is only a form of economic manoeuvre which the Government adopts to provide the impetus for economic development. The Government also from time to time controls the labour costs in order to ensure the competitiveness of the city-state's exported goods and service in world markets, but these measures are not enacted for the interests of any particular group, least the foreign capitalists.

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<sup>63</sup> Goh Keng Swee, Deputy Prime Minister, took the view that the present economic policy in Singapore differed from the laissez-faire policy of the colonial period and adopted an 'activist and interventionist approach' which included direct participation in industry and the supply of infrastructure facilities. See Goh Ken Swee, 'A Socialist Economy that Works', in C. Devan Nair, ed., *op. cit.*, p. 84.

Viewing from another angle, employees in Singapore are not without the minimum protections, though a number of these legislations were passed before 1959. At least, with the present provisions, workers are ensured compensation when injured or fatally wounded in industrial accidents. Their employers are also required to contribute to a Central Provident Fund for the benefit of the workers, although the amount they may withdraw upon retirement is still far from adequate. It seems that the Government is prepared to introduce any necessary legislations provided it is convinced of their contributions to the well-being of the whole society. The question is therefore: Why is the Government not convinced of the desirability of a comprehensive social security system for Singapore? Why is the Government not prepared to extend workmen's compensation and the Central Provident Fund to a full social insurance programme?

Nor can it be said that the need for income security does not exist in Singapore. Social security measures are provisions to compensate for the interruption of earnings occasioned by unemployment, retirement, sickness, widowhood, disability, birth of child and death. The existence of the Central Provident Fund and workmen's compensation provisions already indicates that some kind of income security measures are necessary in Singapore. Industrial accidents have also increased with advanced industrialization and the number reached over 12,000 in 1975. The increase in withdrawals from the Central Provident Fund is another sign that more and more employees are now reaching the age of retirement and are in need of financial support. In addition, there are schemes run by mutual benefit organisations providing for widowhood and death; although these measures are not entirely satisfactory, their existence still indicates that income protection is as much needed in Singapore as in other industrial cities.

On the other hand, the decreasing number of people eligible under the public assistance scheme does not imply that Singaporeans are so well off that they are no longer in need of financial assistance. Allowance given under the public assistance scheme has never been related to the general living standard and is not a means to provide people with a minimum living standard. At the same time, surveys on income distribution show that although absolute poverty has largely disappeared in Singapore, many are still earning very low incomes and are living barely above the subsistence level. They are therefore most vulnerable to dire poverty if breadwinners of these households fall ill or become disabled.

Singaporeans could perhaps depend on the ready assistance of their relatives in the days when they were living in the same house in the old towns. This assistance was not necessarily monetary but could be just care and attention. Although the Government in its public housing programme has been careful to preserve, as far as possible, this spirit of mutual assistance by moving neighbours into the same housing estate or even the same block, studies showed that contact with relatives have decreased. It means that help is less readily available and households must now be prepared to support themselves in situations of need and distress.

The lack of a comprehensive social security system in Singapore cannot therefore be accounted for by the absence of need for such a programme. It is mainly related to the ideology of the Government regarding the development of the country. First to be noted about this ideology is the Singapore Government's interest over practically every area of life of the Singaporeans. The Government is now not only the most eminent entrepreneur in the economy but has also extensive ownership in diversified industries, ranging from shipbuilding to tourism, lotteries to country club operations. Some have even described the Singapore Government as Singapore Incorporated for its extensive spheres of economic interests.<sup>64</sup> The Government has also poured in millions of dollars over the years on reclaiming valuable land and developing new towns and industrial estates. So, the Government can in no way be criticized for inaction as it is so often said of governments in other developing countries. The absence of social insurance in Singapore cannot, therefore, be attributed to a lack of planning but is a deliberate decision of the Government to do without the scheme. This is most obvious when it is remembered that the problem had already been studied in detail in the 1950s and a plan ready for implementation was discarded.

When social security is compared with the other social services given high priority by the Singapore Government, it becomes clear that the former has not been considered important. The prime concern of the Government in the early 1960s was the creation of sufficient employment opportunities for the growing population. The Economic Development Board was one of the first statutory bodies created by the Government, and charged with the responsibility of carrying out the State Development Plan, 1961–64. It was the belief of the Government

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<sup>64</sup> 'Singapore '74 Focus', Far Eastern Economic Review, August 9, 1976.

that in order to achieve the desired economic and development goals, social development projects including social security have either to be shelved or delayed temporarily. On the other hand, the Government was also convinced that in building up the necessary economic and industrial infrastructure, it would bring about a creation of wealth and thus an improvement in the living standard of the Singapore people.

Although the Government has concentrated its developmental efforts on the promotion of trade and industry, it has not been neglectful of its commitments in other areas provided that they are congruent with the overall development policy of the country. The public housing programme is a good example of the Government's attitude. In other words, certain social investments are possible or even encouraged if they are part and parcel of the Government's ideology. One comes back, therefore, to the question of finding out first the philosophy of the Singapore Government, or the People's Action Party which has ruled it since 1959. What then is the philosophy behind the policies of the Administration? And this is perhaps most readily discerned in statements made by the Prime Minister or other leaders of the PAP. In concrete terms, this philosophy can variously be labelled 'the work ethics', 'the rugged society', 'nothing is for free', and the 'resilient society'.

Work is sacrosanct in Singapore and its importance to the survival of Singapore is stressed on various occasions whenever there is a chance to brush up the Singaporeans to work hard and make their best contribution to the country.<sup>65</sup> This 'seized mentality to work' is most apparent as a counter-argument against agitations for a more pleasant and leisurely life. While the work ethics is hailed, the concept of the 'welfare state' is derided and expelled. The Government has not for one moment given its people the faintest hope that the unemployed could under any circumstance be entitled to benefits. This is the last concession a Government based on the 'nothing is for free' philosophy can ever make.

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<sup>65</sup> In a letter to the Editor of Third World, Lee Kuan Yew, Prime Minister, wrote: 'I hope I made two things clear: first, that nothing is for free, second, that no aid can ever get a country going unless its people want to get going and are prepared to work arduously at it.' See C. Devan Nair, ed., op.cit., p.192. Lee Kwan Yew also once remarked: 'From each his economic best, and to each his economic worth.' See Peter S.J. Chen, Modernization in Singapore: Changing Values and the Individual, Department of Sociology, University of Singapore, 1972, p. 5.

Income security, as opposed to work ethics, cannot therefore be included as part of the national development policy. It is out of place in Singapore and has even been viewed as a symbol of the decadent West. Without a change of this conception on income security, any hope for further development of the social security system in Singapore is dim and unlikely. But Singapore is not without its problem of poverty and the adverse effects of an industrial society are only beginning to surface. The apparent absence of demand for a comprehensive social security system does not necessarily imply the non-existence of such a need, but rather a lack of channels for feelings to be expressed. It is also questionable how long the Government will be able to defy the wish of the people for a financially secure life. The Government may believe that as it is working towards the well-being of the whole society, there should not be any confrontation of interests between different groups of people in the society. The fact remains that as some are much better off than others and some live in poverty, there are still causes for concern.

As far as existing social security provisions in Singapore are concerned, they are still performing important functions. At least, provisions are available for injury, sickness, maternity, retirement and death, though some are more adequately covered than others. In general, the rate of benefit is related to the economic worth of the persons protected; thus, those earning higher incomes receive more on injury and retirement, though their entitlement is only equal to their contributions. This stress on economic worth is in fact reflected in the entire social security system in Singapore and a person who aspires to greater income protection must first improve his economic status. It is also in line with the emphasis on hard work and self-reliance and provided that a person has the opportunities to advance himself, the system will probably prove to his advantage. However, there are inevitably groups of people who are losing out in the race and who can never take care of themselves without the help of others. For this group of people, the social security system in Singapore will prove harsh and is a source of discontentment and suffering. Social insurance, as it stresses the pooling of risks between different income groups and protection for persons in diverse situations, will be an effective means to mellow the system but it is contrary to the accepted value of the Government and thus has little chance of acceptance.

The Singapore society is a growing one. The existing social inequality will be accepted with greater tolerance where it is seen as a price

paid for economic development than in societies where a certain amount of wealth has already been accumulated and people are no longer in want of basic necessities. The existing social security system in Singapore stressing the economic worth of employees may be seen as most appropriate now; but as Singapore moves into a more mature stage of industrial development, the 'work ethics' will become less relevant and then the pertinent issue will be a fairer distribution of resources and wealth.

CHAPTER FOUR  
SOCIAL SECURITY SYSTEM IN HONG KONG

I. SOCIAL, POLITICAL AND ECONOMIC CHARACTERISTICS

Hong Kong is a British Crown Colony. It was acquired by Britain from China in three stages: Hong Kong Island by the Treaty of Nanking in 1842, confirming the occupation that had taken place during the Opium War<sup>1</sup>(1839–41); Kowloon Peninsula and Stonecutters' Island by the First Convention of Peking in 1860; and the New Territories by a 99-year lease under the Second Convention of Peking, 1889.<sup>1</sup> The 356 square miles of the New Territories which constitute more than 7/8 of the total land area of Hong Kong should thus theoretically revert to China in 1997; it is, however, inconceivable how the Colony will exist without the New Territories. This uncertainty of Hong Kong's political future and its proximity to China are factors which underlie all social and economic policies of the Colony. The words of a former Governor are most revealing:

... every single policy — social, political or economic — is coloured by China's nearness, China's attitudes, and the subsequent difficulty of being certain of an assured future. We have to live with China, a China which considers all of Hong Kong part of Chinese soil, and a China at present hostile to most of the values we hold dear... This situation demands great realism in all our thinking and many fine judgments have to be made as to what is best to be done, in any given situation.'<sup>2</sup>

Besides this political uncertainty, there are other facets of Hong Kong which are relevant to an examination of the social security system.

1. Demography

Hong Kong is one of the most densely populated areas in the world. Its population leaped from an estimated 2,015,330 in 1951, to 3,174,700

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<sup>1</sup> For a biographical sketch-book of early Hong Kong, see G.B. Endacott, A History of Hong Kong, Oxford University Press, London, 1958.

<sup>2</sup> Sir David Trench, Hong Kong and its Position in the Southeast Asia Region, A Dillingham Lecture delivered at the East-West Centre, Honolulu, Hawaii, on 3 November, 1971. China's permanent representative at the United Nations in a letter sent to the Special Committee on Colonialism on 10 March, 1972 stated, 'The settlement of the question of Hong Kong and Macau is entirely within China's sovereign right and do not at all fall under the ordinary category of colonial territories.' See N.J. Miners, The Government and Politics of Hong Kong, Oxford University Press, Hong Kong, 1975, p.16.

in 1961 and 4,045,300 in 1971, an increase of about one million in every ten years.<sup>3</sup> It was projected that the total population would reach 5,896,000 in 1991 while the estimated population at the end of 1976 was 4,477,600.<sup>4</sup> Although the density of population per square mile in 1971 was 9,562, not too much more than 9,407 in Singapore in the same year, it must however be remembered that only about 1/4 of the land area in Hong Kong is suitable either for housing or cultivation.

Population growth in Hong Kong fluctuated widely from 158.3 per cent in 1946 to minus 9.9 in 1951. In general, the rate was about 5.5 per cent in the early 1950s, 3.5 per cent in the early 1960s and 2.5 per cent in the early 1970s and a significant part of the increase is attributed to immigration. It is extremely difficult to estimate the total number of immigrants which might be as high as 30,000 in a year as a substantial proportion of them came in illegally.<sup>5</sup>

Like all developing countries, Hong Kong experienced a rapid decrease in both its birth and death rates (Table 4.1.1). While the death rate dropped to about 5 per thousand in the early 1960s and has remained so since then, the birth rate stayed high at over 30 per thousand in the early 1960s but dropped to less than 20 per thousand in the early 1970s. It has been pointed out that the rapid increase in birth rates from 1946 to 1954 was largely an effect of Malthusian forces resulting from post-War improvements in the conditions of life, while the falling birth rates from 1961 to 1965 is mainly attributable to a shifting age structure with the 'missing generation', that is, those born between 1937 and 1945, in their early 20's and were approaching the years of highest fertility, 25–30. Only after 1965 is the continuing decline

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<sup>3</sup> Commissioner for Census, Hong Kong Population and Housing Census 1971 (Main Report), Government Printer, Hong Kong, 1975, p. 16.

<sup>4</sup> Population in Hong Kong is projected to increase by one million per ten years from 1971 to 1991. See Commissioner for Census, Population Projections, Government Printer, Hong Kong, 1972, Table 1.2.1.

<sup>5</sup> Estimates of the number of illegal immigrants vary. The Annual Reports of the Director of Immigration gave the number of illegal immigrants arrested and also his guess at the total number who came ashore. Since November 1974, illegal immigrants arrested have been deported back to their own countries; this move has drastically cut down the number of people coming to Hong Kong illegally.



in the birth rate attributable to a genuine decline in fertility and a success in family planning. Information released by the Hong Kong Family Planning Association also indicates that acceptance of birth control is more widespread in recent years.

The male population slightly exceeds the female in Hong Kong. In 1976, people aged 65 and above accounted for 5.5 per cent of the total population but this percentage will increase with time (Table 4.1.2). Two other features should also be noted: first, by 1971, just over half of all inhabitants were born here and most of them were young.<sup>6</sup> Secondly, it has been a traditional belief that Chinese families were large, but both the 1961 and the 1971 Census revealed that the average household in Hong Kong was less than 5.<sup>7</sup>

## 2. The Economy

The economic history of Hong Kong since the Second World War is a story of enormous success. By Asian standards, Hong Kong is an affluent society, lagging only behind Japan and is comparable to Singapore in its gross domestic product. Hong Kong is now an important exporter of manufactured goods which constitute its major source of income. Entrepôt trade still plays a significant part in the whole economy, but it has never regained its pre-War eminence. Commerce has, however, equipped Hong Kong with the provisions of banking, insurance, warehousing services and important connections in overseas markets without which Hong Kong would probably never have become a manufacturing centre as it is now.

Up to the end of 1973, Hong Kong has enjoyed substantial growth in its economy. In the five years leading to 1973, gross domestic product increased, in current price terms, by 117 per cent or 17 per cent per annum on average (Table 4.1.3). In real terms, the increase was 46 per cent or an annual average rate of growth of 8 per cent. Dependent as it is on the import of raw materials for its manufacturing, Hong Kong suffered enormously from the Oil Crisis and any rise in the price of goods which it had to import. The economy in 1974 therefore saw a setback and the gross domestic product amounted to

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<sup>6</sup> The number of persons born in Hong Kong represented more than half of the population in 1971.

<sup>7</sup> The average household size decreased from 4.5 persons in 1971 to 4.2 persons in 1976.

only HK\$33,842 million as against the forecasted HK\$34,066 million.<sup>8</sup> It nevertheless recovered rapidly in the latter half of 1975 and a record growth, 16 per cent at constant 1966 prices, in gross domestic product (GDP) was achieved for 1976.

It has been pointed out that as 80–85 per cent, by value, of Hong Kong's manufactured products are exported, growth in the gross domestic product is largely determined by trade with the rest of the World, in particular, Hong Kong's principal export markets in North America and Western Europe. Related to the above is that the total value of imports and exports of Hong Kong, including re-exports, is equivalent to almost twice of the gross domestic product. In other words, Hong Kong is virtually consuming what it can exchange with exports which are either in the form of manufactured goods or services. The argument that Hong Kong must continue to export and maintain the competitiveness of its products in World markets is thus very convincing particularly if it is considered together with the fact that Hong Kong is lacking in any item of natural resources and has to rely on imports for its survival.<sup>9</sup>

Despite the Government's general reluctance to interfere with the economy, public spending in recent years has grown rapidly especially since the early 1970s (Table 4.1.4). The share of the public sector in the gross domestic product remained just over 10 per cent in the 1960s but it reached an unprecedented high level of 20 per cent for 1975–76 and, most significantly, part of it will be financed by borrowing.<sup>10</sup> Capital formation has been maintained at over 20 per cent. In this connection, it should be noted that bank deposits at the end of

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<sup>8</sup> For a description of the performance of the economy in 1974 and 1975, see Asia Yearbook, 1976, Far Eastern Economic Review, Hong Kong, 1976, pp.161–166. The Government noted in 1973: 'Hong Kong is probably the only territory still completely faithful to liberal economic policies of free enterprise and free trade. . . . Economic planning is not a function of the Government except in the very broadest sense. Apart from the provision of the infrastructure, either through direct services or by co-operation with public utility companies and autonomous bodies the Government's role remains one of providing a suitable framework within which commerce and industry can function efficiently and effectively with a minimum of interference. The Government intervenes in economic processes only in response to over-riding economic and social events.' Hong Kong 1973, Government Printer, Hong Kong, 1973, p. 12.

<sup>9</sup> See Financial Secretary, The 1975–76 Budget: Economic Background, Government Printer, Hong Kong, 1975, p. 1.

<sup>10</sup> In the four years 1973–74 to 1976–77 the public sector represented 17.2 per cent of the GDP at current prices compared with 14.4 per cent in the four years 1969–70 to 1972–73. See Financial Secretary, The 1977–78 Budget Speech, Government Printer, Hong Kong, 1977.

1976, which exceeded 44,000 million, have increased despite the economic recession which hit Hong Kong most severely in 1974 and 1975.

Like all other trading countries, Hong Kong has been hard hit by inflation and the rate reached 18 per cent in 1973. This fast rate of inflation continued in the first half of 1974 but has slackened since then. However, inflation to most people in Hong Kong does not appear so fearful as recession which means a decrease in the demand for Hong Kong's products and thus a lowering of living standards, particularly among those whose income is dependent on manufacturing. The crucial factor in the economy of Hong Kong is therefore the amount of products that it can export; and this overshadows all other considerations in the making of economic and social policies.

### 3. Public Finance

It has been mentioned that Government spending grew rapidly to around 20 per cent of the gross domestic product for 1975–76; this percentage will probably not be very much increased without bringing about a drastic change in the financial policy of the Government. Up to 1976–77, the Government has been able, except for three years, to maintain a balance in its income and expenditure, in fact, usually reaping a surplus.<sup>11</sup> The surplus has been reserved for emergency purposes serving as an important asset to strengthen the financial buoyancy of the Government, as it is totally without resources to rely on in crises.<sup>12</sup>

Compared with other Asian countries, taxation is low in Hong Kong. It is a deliberate policy of the Government to make Hong Kong attractive to overseas investors. The current standard rate of tax is 15 per cent but corporate profits tax has since April, 1976 been raised to 17 per cent. Salaries tax is charged on emoluments arising in or derived from Hong Kong and is calculated on a sliding scale varying from 5 per cent to 30 per cent on net chargeable income but the overall effective rate of tax is still limited to 15 per cent of the gross income before deducting personal allowances. Allowances for dependent parents and premiums for life insurance have, however, been cancelled.

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<sup>11</sup> From 1947 to 1977, deficits were recorded for 1959–60, 1965–66 and 1974–75.

<sup>12</sup> See David Jordan, 'Why We Should Leave our Reserves Alone', South China Morning Post (SCMP), 30 May, 1974.

So far, the Government has been relying heavily on 'other revenue' and indirect taxes as its major sources of income; direct taxes which include earnings and profits tax account for just over 30 per cent of the total revenue (Table 4.1.6). Taxation in Hong Kong is thus only mildly progressive. On the expenditure side, social services which include education, medical and health, housing, social welfare and labour constitute the major item, followed by community services, general services, economic services, and others (Table 4.1.7). In the last five to six years, Government expenditure has generally increased faster than the GDP and among all items in the budget, social services have the fastest growth rate.<sup>13</sup> In 1975–76, social services accounted for about 43 per cent of the total Government expenditure with education taking up 20 per cent, medical and health 9.3 per cent, housing 7.3 per cent and social welfare 5.8 per cent. This recent increase in social expenditure is directly related to the development plans on social services announced in recent years (Table 4.1.5).

#### 4. Administration

There is no division into central and local government in Hong Kong; the smallness of the place makes it virtually meaningless to divide it into separate geographical areas with their own administrations. A report of a Working Party on Local Administration published in November 1966 recommended the establishment of local authorities with councils elected by adults or rate-payers but the recommendations had not been acted upon.<sup>14</sup> Hong Kong, as a Crown Colony, is in theory owned by the Crown with the Governor as the Queen's representative and hence the head of the Government. The Governor is assisted by the Government Secretary who is the chief executive and head of the civil service. Under him, or the Secretariat, are more than 30 departments which discharge all the administrative functions of the Government. This form of central organisation, rather than one based on local authorities, has been considered most suitable for the small and compact Colony.

Laws in Hong Kong are made by the Legislative Council which comprises equal numbers of official and unofficial members.<sup>15</sup> All the unofficial

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<sup>13</sup> See Henry C.Y. Ho, 'Growth of Government Expenditure in Hong Kong', *Hong Kong Economic Paper*, March, 1974, pp. 18–29.

<sup>14</sup> Report of a Working Party on Local Administration, Government Printer, Hong Kong, November, 1966.

<sup>15</sup> The Legislative Council comprises the Governor, who is both a member and president and other official and unofficial members.

members are appointed by the Governor. The procedure in the Legislative Council provides for public debates and questions and the unofficial members, though not answerable to the people as they are not elected, are expected to stand for the interests of people in the street. They have for a long time been regarded as rubber stamps and only in recent years have they dared to disagree with the Government and then only in isolated cases.

Besides the Legislative Council, the Governor is assisted, especially in administrative matters, by an Executive Council.<sup>16</sup> By Royal Instructions, the Governor is required to consult the Executive Council on all important matters of policy subject to certain exceptions such as matters of extreme urgency. The Governor is not a member of the Executive Council though he presides at its meetings and is not obliged to follow the decisions of the Council. At present the Council consists of five ex-officio members (the Commander of British Forces, the Government Secretary, the Attorney General, the Secretary for Home Affairs and the Financial Secretary), one official member and eight unofficial members. Like the Legislative Council, all unofficial members are appointed by the Governor.

In addition to the Legislative and Executive Councils, certain administrative matters in urban areas are the responsibilities of the Urban Council. The Urban Council is a body corporate with its chairman and vice-chairman elected among its own members. The Council comprises 24 members, 12 of whom are elected by about one per cent of the three million people residing in urban areas and 12 appointed by the Governor. The Council manages its own finances and derives its income from part of the rates paid to the Government in urban areas. The responsibilities of the Council, being restricted to Hong Kong Island, Kowloon and New Kowloon, are severely limited to such matters as public sanitation, the licensing and hygienic control of all food premises, offensive trades, bathhouses and management and control of markets and hawkers. In the New Territories, a Heung Yee Kuk, or Rural Consultative Council, has been instituted with members elected from representatives of rural committees which, in turn, have their representatives elected by members in the villages. The function of the Kuk is merely to convey to the Government the interests of villages and does not possess in itself any administrative power.

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<sup>16</sup> For a description of the political structure in Hong Kong, see N. J. Miners, The Government and Politics of Hong Kong, *op. cit.*

A network of District Offices has been established since 1968 in urban areas. The functions of these City District Offices (6 in Kowloon and 4 in Hong Kong) are to 'assess the impact of contemplated new policies on the population and, when they are adopted, to explain these policies to the public.'<sup>17</sup> In addition, these District Offices also deal with individual complaints, answer enquiries, provide information and mediate in a variety of disputes. In recent years, they have been charged with the duties of mobilising the communities in special campaigns and organising mutual aid committees among inhabitants. In the New Territories, such responsibilities are discharged by the New Territories Administration which also perform certain executive functions, particularly in relation to land administration.

Table 4.1.1 Population, Crude Birth and Death Rates

Year	Population at mid-year	Crude birth rate (per thousand population)	Crude death rate (per thousand population)
1946	1,550,000	20.1	10.8
1951	2,015,300	34.0	10.2
1956	2,614,600	37.0	7.4
1961	3,168,100	35.0	6.1
1966	3,629,900	25.3	5.3
1971	4,045,300	19.7	5.0
1976	4,402,990	17.7	5.1

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Source: 1946, 1951, 1956: Commissioner for Census, Hong Kong Statistics, 1947-1967, Government Printer, Hong Kong, 1969, Table 3.3; 1961, 1966, 1971: Commissioner for Census, Hong Kong Population and Housing Census: 1971 (Main Report), Government Printer, 1972, Table 3.2.1; 1976: South China Morning Post, 8 September, 1977.

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<sup>17</sup> Hong Kong 1975, p. 211.

Table 4.1.2 Population Structure, 1976

Age group	Male	Female	Total
0- 4	197,050	182,330	379,380
5- 9	209,340	199,100	408,440
10-14	274,020	263,420	537,440
15-19	272,490	259,740	532,230
20-54	1,042,140	922,200	1,964,340
55-59	92,890	90,090	182,980
60-64	75,950	79,430	155,380
65 & over	87,180	155,620	242,800
	2,251,060	2,151,930	4,402,990

Source. Commissioner for Census, Hong Kong By-Census 1976 (Basic Tables), Government Printer, Hong Kong, 1977, Table 1.

Table 4.1.3 Expenditure on the Gross Domestic Product, 1970-1976  
(at current market prices)

Year	Total G.D.P.		Per capita G.D.P.	
	HK\$ million	% change on previous year	HK\$ million	% change on previous year
1970	18,670	18.2	4,716	15.4
1971	20,976	12.4	5,185	9.9
1972	24,156	15.2	5,923	14.2
1973	30,736	27.2	7,389	24.8
1974	35,252	14.7	8,297	12.3
1975*	37,429	6.2	8,572	3.3
1976**	47,114	25.9	10,750	25.4

\* provisional estimates

\*\*preliminary estimates

Source: Financial Secretary, The 1976-77 Budget: Economic Background, Government Printer, Hong Kong, 1977, Table 1.

Table 4.1.4 Expenditure on the Gross Domestic Product by Components, 1970-1976

(at constant (1966) market prices) (HK\$ million)

G.D.P. Components	1970	1972	1974	1976*
Private consumption expenditure	12,289	14,204	16,475	18,783
Government consumption expenditure	1,023	1,101	1,385	1,573
Gross domestic fixed capital formation	2,893	3,653	4,175	5,373
Exports of goods	12,672	14,559	14,799	19,883
Less imports of goods	15,389	18,038	17,830	23,048
Exports less imports of services	1,723	1,359	508	640
Increase in stocks	N.A.	N.A.	145	393
Total expenditure on G.D.P. at constant market prices	15,211	16,838	19,657	23,597

\* preliminary estimates

N.A. not available

Source: The 1976-77 Budget: Economic Background, Table 3.

Table 4.1.5 Government Revenue by Source, 1973-76

(HK \$ million)

	Actual 1973-4	Actual 1974-5	Actual 1975-6	Estimate 1976-7
Direct taxes				
Earnings and profits tax	1,679.8	2,143.8	2,234.0	2,428.0
Estate duty	50.1	42.4	64.6	62.0
Sub-total	<u>1,729.9</u>	<u>2,186.2</u>	<u>2,298.6</u>	<u>2,490.0</u>
Indirect taxes				
General rate	368.9	407.9	534.4	615.0
Excise duties	441.7	473.3	558.3	647.9
Royalties & concessions	164.3	82.1	101.6	106.7
Stamp duties	462.6	303.0	382.6	420.0
Other taxes	118.4	137.8	237.7	265.0
Sub-total	<u>1,555.9</u>	<u>1,404.0</u>	<u>1,814.6</u>	<u>2,054.6</u>
Other revenue				
Fires, forfeitures and penalties	54.4	45.6	54.7	53.2
Licences	116.3	168.6	219.5	235.1
Provision of goods and services	693.4	713.9	924.9	1,042.5
Income from properties and investments	758.8	811.5	812.6	850.0
Sub-total	<u>1,622.9</u>	<u>1,729.6</u>	<u>2,011.7</u>	<u>2,180.8</u>
Reimbursements, etc.	332.1	545.5	130.7	
Total	<u><u>5,240.8</u></u>	<u><u>5,875.3</u></u>	<u><u>6,724.6</u></u>	<u><u>6,937.2</u></u>

Source: Hong Kong 1977, Appendix 7Table 4.1.6 Government Expenditure by Function, 1974-77

(HK \$ million)

	Actual 1974-5	Actual 1975-6	Estimate 1976-7
General services	949.7	986.6	1,296.2
Economic services	533.3	552.5	660.1
Community services	1,707.3	1,273.2	1,721.6
Social services	2,430.5	2,637.5	2,733.3
Others	634.4	582.4	800.7
Total	<u>6,255.2</u>	<u>6,032.2</u>	<u>7,211.9</u>

Source: Hong Kong 1977, Appendix 8.



Table 4.1.7 Government Expenditure on Social Services, 1974-76

	Actual 1974-75			Actual 1975-76		
	Recurrent	Capital	Total	Recurrent	Capital	Total
Education	1,031.8	113.0	1,144.8	1,121.0	147.1	1,268.1
Medical and health	513.0	47.4	560.4	550.3	11.6	561.9
Housing	222.3	224.6	446.9	101.6	337.3	438.9
Social welfare	258.1	4.5	262.6	348.4	3.5	351.9
Labour	15.8	—	15.8	16.7	—	16.7
Total	<u>2,041.0</u>	<u>389.5</u>	<u>2,430.5</u>	<u>2,138.0</u>	<u>499.5</u>	<u>2,637.5</u>

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Sources: 1974-75: Hong Kong 1976, Appendix 8;  
 1975-76: Hong Kong 1977, Appendix 8.

## II. EMPLOYMENT PATTERN AND INCOME DISTRIBUTION

### 1. Employment Pattern

Statistics on employment in Hong Kong are incomplete as not all establishments are required to register with the Labour Department. Only establishments equipped with power driven machinery or which employ 20 or more manual workers are obliged to register; those which employ 15–19 workers or those in which women or young persons are employed or in which the material or processes in use may present health or safety hazards to workers need also to be recorded with the Department. However, although these establishments are required either to register or to be recorded with the Labour Department, returns on the number of workers they employ are only voluntary. The following description will be based mainly on information released by the Labour Department which, though not entirely satisfactory, is the only source from which a picture of the Labour situation may be formulated.<sup>18</sup>

More people in Hong Kong were employed in manufacturing than any other trade. As revealed by the 1976 By-Census, the number of economically active persons in Hong Kong amounted to 1,952,000 or 44.3 per cent of the total population.<sup>19</sup> Of this number, 756,320 persons were reported to be working in manufacturing in March, 1977.<sup>20</sup> The other categories employing the largest number of persons included wholesale and retail trade, hotels and restaurants and the community, social and personal services (Table 4.2.1). About equal numbers of men and women are working in manufacturing. Since most factories in Hong Kong are engaged in light industries requiring manual dexterity, they tend to have a comparatively higher participation rate of women than other trades. The leading industries in Hong Kong employing the largest number of persons are garments, plastics, electronics and metal products.<sup>21</sup> Most industrial

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<sup>18</sup> In addition to the information provided by the Labour Department, a series of quarterly employment enquiries for the manufacturing sector has been conducted since December, 1973 covering all manufacturing establishments known to the Census and Statistics Department. Statistics on industrial employment given by the Labour Department are not satisfactory for they exclude out-workers, those employed in home industries or in the building, civil engineering and construction industries.

<sup>19</sup> Commissioner for Census, Hong Kong By-Census 1976 (Basic Tables), Government Printer, Hong Kong, 1977, Table 8.

<sup>20</sup> Employment Statistics, Employment Statistics Section, Census and Statistics Department, Hong Kong, March, 1977, Table 1.

<sup>21</sup> The number of persons engaged in garment, plastics, electronics and metal products at the end of 1975 were respectively 157,968, 58,214, 47,162 and 49,643. Commissioner for Labour, Annual Departmental Report, 1975–76, Government Printer, Hong Kong, 1976, p. 2.

establishments are small in size and from the information released by the Labour Department for December 1975, about 44 per cent of employees were employed in industrial establishments engaging less than 100 persons (Table 4.2.2). The prevalence of small establishments naturally poses problems for the introduction of any kind of contributory social insurance schemes but their numbers are rapidly decreasing and few persons are now engaged as unpaid family workers.

Hong Kong experienced widespread unemployment and under-employment throughout 1974 and in the first half of 1975 as a result of global economic recession. As unemployed persons were not registered in Hong Kong, accurate information on the extent of unemployment during the period was not available. A survey conducted in the Summer of 1974 on the employment situation of residents in public housing estates reported that about 250,000 workers must have either been unemployed or underemployed.<sup>22</sup> Employment situation improved, however, since the second half of 1975 and a shortage of labour had even been reported by some industries a year later. In fact, since the late 1950s, except for short periods, Hong Kong has been able to maintain full or near-to-full employment. The 1961 Census reported that only 1.72 per cent of the total labour force was unemployed; the corresponding figure for 1971 was 4.35 per cent but this included those seeking jobs for the first time. The 1976 By-Census estimated the rate to be not over 4.5 per cent of the total working population (Table 4.2.3). Some have doubted the validity of the low level of unemployment and have suggested that even though few were totally unemployed, a substantial proportion of workers in Hong Kong were underemployed; it meant that work was insufficient to engage a worker for all the working hours.<sup>23</sup> A worker has therefore to work for long hours when work was available in order to make up for the lost days when he was forced to remain idle. It has also been suggested that as the level of per capita income was so little above the subsistence level in Hong Kong, even children at the age of 14 who should not be employed in factories and the elderly people were often found working and scrambling for a living.

In connection with the above, manpower surveys conducted by the Industrial Training Advisory Committee (now the Industrial Training Council) on

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<sup>22</sup> Diana Mak and Angela Kan, A Report on the Employment/Unemployment situation among Residents in Hong Kong Public Housing Estates, Department of Social Work, University of Hong Kong, 1974.

<sup>23</sup> See James Reidel, The Industrialization of Hong Kong, J.C.B. Mohr, Tubingen, 1974, Chapter 3: The Supply of Labour.

the technological requirements of labour for Hong Kong's major manufacturing industries indicated that until the early 1970s, technicians and craftsmen in the major manufacturing industries accounted for only 18 per cent of total employment and the level of educational attainment preferred by employers for 90 per cent of the employees was below the standard of Form III. In short, although unemployment does not present itself as a major problem in Hong Kong, underemployment and the low degree of training of workers are features to be reckoned with; the experience of the 1974–1975 recession also indicates that Hong Kong is not entirely immune from widespread unemployment.

## 2. Trade Unions

Another major feature that deserves examination in connection with employment and the provision of social security is the organisation of trade unions. In most industrialized countries, trade unions usually play a significant role in demanding better welfare for workers; trade unions in Hong Kong are, however, generally weak and insignificant in all forms of industrial bargaining. In a brief survey of the development of trade unionism between 1911 and 1949, Joe England and John Rear noted that it was characterized by certain features like:

the fragmentation of the craft unions arising from their guild origins; the control exercised by these craft unions over entry into the trade; the further encouragement to particularism given by the continual entry into the labour force of workers from districts of China with different dialects, eating habits, and other social institutions; political affiliations which deeply divide the movement; a proportion of leaders enmeshed in corrupt and criminal practices; an acceptance of political activity and the payment of welfare benefits as major union activities; and a top heavy structure in which leadership has little contact with the grass-roots.<sup>24</sup>

These features still persist in the trade union movement in Hong Kong today.

At the end of 1975, it was estimated by the Labour Department that about 24 per cent of the total working population, or 361,458, were members of trade unions (Table 4.2.4). There were 67 unions with a total declared membership of 211,866 affiliated or associated with the Hong Kong Federation of Trade Unions which supports the policies of the People's Republic of China, while another 84

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<sup>24</sup> Joe England and John Rear, Chinese Labour Under British Rule, Oxford University Press, Hong Kong, 1976, p. 85.

unions with a membership of 33,391 were affiliated to the Hong Kong and Kowloon Trade Union Council which is sympathetic towards the Taiwanese regime. Independent unions which are politically neutral have increased rapidly during the last several years and numbered 113 with a total declared membership of 54,787. On the whole, trade unionism is not a generally accepted phenomenon in Hong Kong; though about a quarter of the working population is now involved, trade unions still concentrate on a few trades with long histories and are conspicuously absent in the manufacturing sector. Thus though public utilities and transport and communication both reported an over 50 per cent membership among their employees, less than 10 per cent of those working in manufacturing were members of trade unions (Trade 4.2.5).

The serious lack of interest in trade unionism among the workers has been attributed to cultural and political factors.<sup>25</sup> It has been asserted that organizations set up along lines other than those of the clan or district are disavowed by the Chinese. Though there certainly is some truth in this argument, especially in the early days when workers were recruited from relatives and people of the same clan, factories nowadays draw their workers from all walks of life; this rejection of people from different clans or districts has probably waned. The reasons for the stagnation has to be sought elsewhere.

On the one hand, the Government has never been very sympathetic towards trade union movements. Although no overt pressure is exercised to discourage the formation of trade unions, the ways in which the Government deals with the trade unions have not been encouraging. On the whole, the opinions of trade unions are insignificant in any decision about labour welfare. They may be consulted on matters in which the Government seeks to have their co-operation but such cases are rare. Only recently has a trade union leader been appointed to sit in the Legislative Council and there are four other representatives of employees, being elected by registered workers' trade unions, to sit on the Labour Advisory Board which advises the Commissioner for Labour on matters concerning employees. Such being the circumstances, the Government is obviously bypassing the trade unions as representatives of the workers and even

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<sup>25</sup> *Ibid.*, pp. 99–101.

<sup>26</sup> A trade union leader, himself a retired civil servant, was appointed a member of the Legislative Council in 1976. As to the Labour Advisory Board, it is chaired by the Commissioner for Labour with equal numbers of representatives of employers and employees.

in industrial disputes, union action so often witnessed in other industrial countries is considered not really indispensable here.<sup>27</sup>

Trade unions, on the other hand, have never truly won the support of the workers. Besides the fact that they are usually politically oriented and are not acting in the best interests of their members, they have not impressed the workers that they would be instrumental to effective bargaining with the employers on their behalf. Traditionally, trade unions have been seen as welfare organisations as they often run schools, clinics and such business undertakings as canteens, dormitories, co-operative stores, workshops and recreation centres rather than engaging in trade union affairs proper with their main concern in working conditions and other work-related benefits of the employees. In this respect, the independent trade unions may be better regarded, but there are people who are motivated to join the others for benefits often unrelated to their work. The result is that trade unions, especially those for industrial workers, are unco-ordinated, diverse in motives, fragmented, ineffective in bargaining, and slack in organisation.

### 3. Income Distribution and Wage Rates

Not all working persons in Hong Kong are required to submit tax returns; it is thus difficult to know the distribution of income in Hong Kong. The only source of information is that provided by censuses but such data are admittedly inaccurate. The best that censuses can provide are some general ideas on the pattern of income distribution but they seldom represent what people are actually earning. According to the findings of the 1971 Census, over 500,000 families or up to 60 per cent of the total households earned less than HK\$ 800 a month, the median income being around HK\$ 700, with 80 per cent of families in Hong Kong accounting for 50 per cent of total domestic income and the remaining 20 per cent procuring the other half.<sup>28</sup> Based on this, R. Hsia and L. Chow estimated the Gini Coefficient of income distribution at 0.49.<sup>29</sup> The situation seemed to have slightly improved five years later; the 1976 By-Census revealed that families earning less than HK\$ 1,000 a month amounted to only 27 per cent of the total households, with another 38 per cent receiving a monthly

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<sup>27</sup> Industrial disputes are usually settled by direct consultation between employees involved and their employers. Labour Relations Ordinance introduced on 1 August, 1975 gave the Government the right to intervene in trade disputes by enforcing a cooling-period of 60 days.

<sup>28</sup> See Cheng Tong Yung, The Economy of Hong Kong, Far East Publications, Hong Kong, 1977, p. 90.

<sup>29</sup> A Gini ratio is a mathematical devise to measure income inequality. See 'Solution of Child Labour Lies in Income Distribution', SCMP, 20 October, 1975.

income of between HK\$ 1,000 and HK\$ 2,000 (Table 4.2.6). The pattern definitely shows an improvement in the general living standard of people in Hong Kong and fewer families were at the bottom layers, but so far as the distribution of income is concerned, considerable disparity still exists and there is hardly any difference between the patterns in 1971 and 1976.

In addition to the information provided by censuses, the movement of wage rates is another indicator to show what working persons in Hong Kong are earning. Again, little information is available in Hong Kong about wages or salaries, especially in the non-industrial sector, and as far as manufacturing industries are concerned, they range widely from factory to factory. The scarcity of information arises partly from the fact that wage rates are seldom arrived at in Hong Kong as a result of collective bargaining and partly due to the little control that Government has over the rate at which a worker should be employed. Nevertheless, according to statistics released by the Labour Department, real wages in the manufacturing sector had increased since the late 1960s and at an unprecedented fast rate in the three years from 1971 to 1973, but inflation overtook the rate in 1974 and 1975 and though real wages had increased again in 1976, the situation still compared unfavourably with the peak period in 1973 (Table 4.2.7). As a whole, industrial workers in Hong Kong are at present earning more in real terms than they used to in the 1960s.

In connection with the movement of wages, it should be noted that part of it is accounted for by the fringe benefits which workers may receive from free or subsidised living accommodations, free medical treatment, subsidised meals or food allowance, lunar new year bonuses and paid rest benefits. However, these benefits are not uniformly granted between industries or between skill groups within industries in Hong Kong. They are also seldom clearly set out in writing and usually decrease or increase proportionally with the profit margin of particular industries. In other words, employers are not obliged to provide these benefits in times of difficulty when workers are expected to take care of themselves. In fact, except for insuring their liabilities in compensating injured workers, employers are comparatively free from any responsibility to protect the interests of their employees and are allowed sufficient flexibility in determining the conditions of employment.<sup>30</sup>

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<sup>30</sup> See 'On the Edge of a Continent', The Economist, 19 July, 1975.

Table 4.2.1 Employment by Industry and by Sex, 1976

Industry	Male	Female	Total
Agriculture, forestry, hunting and fishing	32,290	16,210	48,500
Mining and quarrying	980	40	1,020
Manufacturing	453,270	392,650	845,920
Electricity, gas and water	8,930	780	9,710
Construction	97,740	6,300	104,040
Wholesale & retail trade & restaurants & hotels	267,000	94,680	361,680
Transport, storage & communication	124,340	11,840	136,180
Financing, insurance, real estate & business services	42,520	19,570	62,090
Services	175,010	109,960	284,970
Unclassifiable	7,510	5,860	13,370
	<u>1,209,590</u>	<u>657,890</u>	<u>1,867,480</u>

Source: Hong Kong By-Census 1976 (Basic Tables), Table 13.

Table 4.2.2 Industrial Establishments by Number of  
Persons Engaged,  
As in December 1975

Size group (number of employees)	No. of persons engaged		Total
	Male	Female	
1-9	40,560	10,359	50,919
10-19	31,010	15,428	46,438
20-49	49,337	39,465	88,802
50-99	41,996	50,591	92,587
100-199	37,121	59,303	96,424
200-499	42,761	62,629	105,390
500-999	23,545	36,110	59,655
1,000-1,999	27,593	32,177	59,770
2,000 & over	20,949	9,700	25,649
	<u>314,872</u>	<u>310,762</u>	<u>625,634</u>

Note: In December 1975, 666 industrial establishments had temporarily ceased operation.

Source: Commissioner for Labour, Annual Departmental Report, 1975-1976, Government Printer, Hong Kong, Table 1C.

Table 4.2.3 Number of Persons Unemployed by Age and Sex, 1976

	Male	Female	Total
15 - 19	12,590	10,640	23,230
20 - 39	23,870	11,560	35,430
40 - 59	19,280	2,650	21,930
60 - 64	3,260	670	3,930
	<u>59,000</u>	<u>25,520</u>	<u>84,520</u>

Source: Hong Kong By-Census 1976 (Basic Tables), Table 10.



Table 4.2.4 Membership of Trade Unions, 1961–75

Year	No. of Unions	Declared membership (approx.)
1961	239	217,300
1962	237	165,000
1963	241	159,500
1964	238	142,480
1965	239	149,680
1966	242	166,900
1967	240	171,620
1968	244	165,580
1969	254	169,680
1970	257	175,240
1971	272	196,300
1972	276	221,620
1973	283	295,735
1974	293	317,045
1975	358	361,458

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Source: Registrar of Trade Unions, Annual Reports, various years.

Table 4.2.5 The Density of Unionism by Industrial Sector, 1971

Industrial Group	Economically active (full-time workers)	% claimed as trade union members
Public utilities	8,529	100
Transport & Communication	103,062	61
Community service	287,585	19
Commerce	126,752	16
Manufacturing	576,665	9
Mining & quarrying	4,038	7
Construction	154,741	6

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Source: See Joe England & John Rear, Chinese Labour under British Rule, Oxford University Press, Hong Kong, p. 88.

Table 4.2.6 Household Income in Hong Kong, 1976

Household income \$	No. of households
Not classified	46,810
Less than 200	16,680
200-399	29,560
400-599	51,580
600-799	87,430
800-999	91,510
1,000-1,199	102,690
1,200-1,499	128,820
1,500-1,999	154,080
2,000-2,499	98,810
2,500-2,999	55,920
3,000-4,499	75,880
4,500 & over	59,620
	999,390

Source: Hong Kong By-Census 1976 (Basic Tables), Table 22.

Table 4.2.7 Average Daily Wage Rates (Including Fringe Benefits) in Manufacturing Industry, 1971-1976

(March 1964 = 100)

	Nominal	Real
1971	195	147
1972	215	158
1973	245	163
1974	265	143
1975	260	133
1976	302	152

Source: The 1977-78 Budget: Economic Background, Table 38.

### III. SOCIAL SERVICES AND LABOUR LEGISLATIONS

#### 1. Social Services

The provision of social services in Hong Kong is largely a Government activity and has been regarded as a commitment of the Government to provide for the welfare of the people.<sup>31</sup> Each year, more than 40 per cent of total Government expenditure is allocated for the provision of social services which include education, medical and health, housing, labour and social welfare services. Five Government departments have been set up to administer the different social services and in addition, a Housing Authority was established in 1973 to be responsible for the implementation of public housing policies.<sup>32</sup> Social services in Hong Kong have thus outgrown their initial purposes of providing a mere minimum and are now affecting every member of the society. A description of the different provisions will be given specially as they relate to social security with a separate section on services and legislations for labour.

#### Education

Not until 1971 was free primary education offered to children in Hong Kong, though the Government has embarked on plans to expand primary schooling since 1954. Hence, in the 25 years before 1971 the major effort of the Government in education was to secure a school place for every child in Hong Kong. In October, 1974 the Government published a White Paper on Secondary Education in Hong Kong over the Next Decade in which the Government pronounced its plan for expanding secondary education.<sup>33</sup> The objective is to provide for every child, by 1979, nine years' subsidised education, comprising six years in a primary school followed by three years of secondary education. Throughout these three years the curriculum will include a practical and technical content of 25 to 30 per cent.

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<sup>31</sup> See Hong Kong 1975, op.cit., Chapter 1: A Social Commitment.

<sup>32</sup> The Housing Authority is chaired by the Secretary for Housing, its members comprising heads of concerned Government Departments and Urban Councillors.

<sup>33</sup> Hong Kong Government, Secondary Education in Hong Kong over the Next Decade, Government Printer, Hong Kong, 1974. Since the publication of the White Paper, several amendments of the proposals have been made. All primary school graduates beginning 1978 will be provided with places in Form I and three years' free secondary education.

The financial implication of implementing the secondary education expansion programme is that the Government will increase its expenditure on education from HK\$380 million for 1974 to HK\$498 million ten years later.<sup>34</sup> In addition, the Government has to expand its facilities for training teachers who will be suitable for teaching lower forms in secondary schools. The Government has also been advancing with the development of technical education and since the establishment of the Polytechnic and the Morrison Hill Technical Institute in 1969, four more technical institutes have been completed by 1977.

### Medical and Health

The provision of health services in Hong Kong began, as in other countries, with the need for controlling epidemics. Hong Kong has made prominent progress since the Second World War in cutting down the number of deaths resulting from infectious diseases as evidenced by the decline in the number of persons dying from tuberculosis from 2,600 in 1956 to 1,150 in 1973 despite a much larger population. A ten-year development programme for medical and health services was launched in 1963 with the main target of increasing the ratio of hospital beds from 2.9 to 4.25 per 1,000 population and to provide one clinic, containing out-patient, maternal and child health facilities, for every 100,000 persons in the urban areas and for every 50,000 in the New Territories. The above objectives have largely been achieved by 1974. Fees charged at Government hospitals and clinics are nominal and, in general, medical services are readily available to all people in Hong Kong on demand. Thus, medical insurance is not seen to be necessary though some large establishments still include medical coverage for their employees.

In July, 1974 the Government published a White Paper on The Further Development of Medical and Health Services in Hong Kong which covers expansion of medical services over the next ten years.<sup>35</sup> The main objective of the White Paper is to increase the ratio of hospital beds by the end of the period to 5.5 per 1,000 population. It is also hoped that a fuller and more balanced use of hospital beds and medical personnel can be achieved based on the concept of regionalization (Table 4.3.1) To achieve the above targets, it is estimated that

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<sup>34</sup> Ibid., sections 3.20 and 3.21

<sup>35</sup> Hong Kong Government, The Further Development of Medical and Health Services in Hong Kong, Government Printer, Hong Kong, 1974.

three new general hospitals and one psychiatric hospital will have to be built in the next decade and facilities increased for training doctors and nurses. Financially, if the plans are to be carried out according to schedule, the Government will have to increase its current expenditure on medical and health services from HK\$460 million in 1974–75 to about HK\$900 million by the end of 1984. In addition, another HK\$900 million will have to be spent in current prices on capital costs.<sup>36</sup>

### Housing

The Government is now the landlord of about 45 per cent of the population in Hong Kong (Table 4.3.2). The housing programme was started when one very large fire made more than 50,000 people homeless on Christmas Day 1953. Since then the Government has built estate after estate and the policy was at once a success and a failure. It was a success because never has a Government been so efficient in solving such a vast and pressing problem; it was a failure because the programme, especially in its early stages, has totally disregarded human needs. Keith Hopkins noted in 1969 that

... only in Hong Kong has a government constructed housing for a million people giving each adult a floor space of six feet by four – twice the area of a grave, ... Net densities of 1,600 – 2,400 people per acre are found in acre after acre. The average resettlement estate holds 44,000 people, housed in 20 monster blocks, each containing over 2,000 people.<sup>37</sup>

Before 1973, housing programmes were carried out by two separate types of organisations: the Resettlement Department rehoused those who were victims of fire and natural disasters, occupants of squatter huts declared to be dangerous, former domestic tenants of dangerous buildings to be demolished and occupants of cottages, licensed or resite areas required for development. Estates provided for these categories of people were of inferior quality and the early built blocks were badly in need of remodelling. The other category consisted of the Housing Authority and the Housing Society, semi-independent bodies which borrowed heavily from the Government for its housing programmes. They provided better quality housing estates and their target population was those who could

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<sup>36</sup> Ibid., p. 34.

<sup>37</sup> Keith Hopkins, ed., Hong Kong: The Industrial Colony, Oxford University Press, Hong Kong, 1971, p.1.

not afford the rents of private accommodation in the market. Since April, 1973 the Resettlement Department and the Housing Authority combined to form a new independent Housing Authority and the housing policy has also been changed since then. The Authority is a statutory body responsible for its own finances and management. Deficits of the Authority had been met by Government subsidies until 1977 when such practice was replaced by a new financial arrangement between the Government and the Housing Authority. In future, land will be provided to the Authority by the Government free of premium; the Authority will continue to borrow from the Development Loan Fund and will be allowed to repay the debts in 40 years interest free, but the Government will cease to provide grants to the Authority to cover deficits.

In 1972, the Governor pronounced in the Legislative Council an ambitious target of providing self-contained, permanent homes for every family in Hong Kong.<sup>38</sup> To achieve the above target, homes for 1.8 million people will have to be built over the next ten years. The housing programme has suffered some setbacks as a result of the economic recession in 1975 but the Government seems determined to push ahead with the plans within the limit of the available resources. The new estates will mainly be built in the new towns of Tsuen Wan, Tuen Mun and Shatin, areas which have also been designated as new industrial centres. In addition to the development of new public housing estates, a 'Home Ownership' scheme was adopted and beginning 1979, flats will be available for sale to families whose monthly income is not exceeding HK\$3,500.<sup>39</sup>

### Social Welfare

Before the formation of the Social Welfare Department in 1958, major Government welfare services available were a probation office, a unit for the protection of women and juveniles and activities for the youth. By the mid-1960s, social welfare was still only provided for people with special needs as the 1965 White Paper on Aims and Policy for Social Welfare in Hong Kong states:

In present circumstances, . . . priorities should be so devised that constructive government social welfare services are directed first and foremost towards

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<sup>38</sup> By the end of 1976, about 45 per cent of the population was living in public housing estates.

<sup>39</sup> See 'Land sales give homes plan a boost', SCMP, 11 October, 1977.

children and young people, counselling being an integral part of such services. As for adults, whose resources are limited, these services should be concentrated first upon those who are in special need, and in cases where it is likely that rehabilitation, treatment or assistance will be effective within a reasonable time in enabling individuals or families to become self-sufficient and, if possible, self-supporting.<sup>40</sup>

The provision of social security will be the concern of another section; suffice it to point out here that before 1971, social welfare services, including cash payments, were largely provided by voluntary agencies with financial support from overseas. The contribution of voluntary agencies towards the provision of social welfare has in fact always been acknowledged by the Government and even though most of them are no longer relying on overseas financial subsidies and are now heavily subvented by the Government, their role would however continue due to their past experiences in certain areas of welfare provisions. The increasing responsibility of the Government in social welfare might be seen from the proposals of the Five Year Plan for Social Welfare Development published in 1973; thus, major social welfare innovations would now either be initiated by the Government or with Government financial support.

Until 1976, the planning of social welfare has been confined to the provisions of the Social Welfare Department and related voluntary agencies. The scope was broadened with the publication of the Green Paper on The Further Development of Rehabilitation Services in Hong Kong;<sup>41</sup> it indicates that planning for social welfare in Hong Kong is now shifted to the consideration of particular groups of people requiring such services. In addition to the development of rehabilitation services, plans are also being prepared for young people and the aged. The result will be a greater variety of welfare services with correspondingly greater Government involvement in the welfare of its people.

To conclude the above descriptions on social services, it should be added that a warning has always been appended to each plan about the feasibility of carrying them out.<sup>42</sup> The Government has not concealed the fact that the implementation of these plans depends mainly on the amount of revenue the Government can collect and certainly there are limits to it. In other words, people

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<sup>40</sup> Hong Kong Government, Aims and Policy for Social Welfare in Hong Kong, Government Printer, Hong Kong, 1965, p.11.

<sup>41</sup> A year after the Green Paper, a White Paper on rehabilitation was produced in October, 1977. Hong Kong Government, Integrating the Disabled into the Community, a United Effort, Government Printer, Hong Kong, 1977.

in Hong Kong can only expect a better provision of social services if the economy continues to grow without hindrance. Any setback will mean that social services will remain stagnant, if not reduced.

## 2. Legislations and Services for Labour

Legislations safeguarding the interests of workers are few in Hong Kong and some have proved so inadequate that revisions are necessary. The Government has been sympathetic towards a gradual improvement of the relevant legislations but reforms have been opposed by employers on the ground that they would result in higher production costs and thus lower the competitiveness of Hong Kong products.<sup>43</sup> So far, only minor changes have been introduced and these mainly affect the Factories and Industrial Undertakings Ordinance and the Employment Ordinance. Under the existing provisions of the Factories and Industrial Undertakings Ordinance, children under the age of 14 are prohibited from employment in factories while young people aged 14 and 15 may only work 8 hours a day in industry with a break of one hour after five hours of continuous work. There are also restrictions regarding the working hours of women and young people aged 16 and 17; they are only to work a maximum of 48 hours a week and overtime for young people will not be allowed after 1980.<sup>44</sup> Women and young men under 21 years of age are also not allowed to work underground.

The Employment Ordinance makes provisions for the termination of contracts of employment, payment of wages, protection of female during maternity leave, provision of rest days, sickness allowance, holidays with pay and severance pay. The Ordinance applies to all manual workers irrespective of their earnings and to non-manual workers earning not more than \$2,000 a month. Under the provisions of the Ordinance, an employee is deemed to be covered by a 'continuous contract' if he has worked for the same employer for four weeks or more on at least three days in each of the four weeks and for not less than six hours in each day. In case of termination of the contract, a

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<sup>42</sup> Thus, reviews of the Five Year Plan always included the note that 'the inclusion of any particular project or activity in the Plan does not of itself convey any guarantee of implementation.'

<sup>43</sup> Labour reforms were generally perceived by employers as detrimental to the performance of the economy as they implied higher production costs.

<sup>44</sup> See Factories and Industrial Undertakings Ordinance, Laws of Hong Kong, Chapter 59.



month's notice or payment of wages in lieu of notice is required unless there is expressed agreement and in such cases, the period must not be less than seven days.

As a result of a series of amendments to the Employment Ordinance in 1976 and 1977, employees now enjoy more rest from work than any time before since the end of the War. Beginning 1977, they are entitled to one rest day a week though employers are not obliged to pay them for the rest days and if an employee agrees, at the request of the employer, he may also work on the rest days. In addition, employees are entitled to ten statutory holidays each year and with effect from 1978, they will also enjoy seven days' paid annual leave. Other amendments of the Ordinance concerning rest and holidays are still to be introduced but under the existing regulations, female employees are to be granted unpaid maternity leave for four weeks before the expected date of confinement and six weeks after the actual date of confinement. It is also stipulated that an employee who has been employed under a continuous contract for one month is entitled to sickness allowance which for each day is the equivalent of  $\frac{2}{3}$  of the average daily wage earned by the employee. The allowance is calculated at the rate of one paid sickness day for each completed month of the employee's employment up to a maximum of 36 paid sickness days. An employee who takes less than four consecutive days shall not be entitled to sickness allowance.

A most significant amendment to the Employment Ordinance as it relates to social security is the provision of severance payment on redundancy. The provision first became operative on 23 August, 1974 in the midst of widespread unemployment and layoffs. The amendment requires an employer to make severance payment to an employee who is dismissed by reason of redundancy, where an employee's dismissal is mainly attributable to his employer's decision to cease, change or move his business and consequently to dispense with the services of that employee. A worker is also deemed to be laid off if, in any single week, he is provided with less work than he would expect on three 'normal working days', but to be entitled to severance payment, he must have worked continuously for the same employer for at least 24 months. The basic formula for calculating payment has been revised in 1977 and is as follows: the employee's last month's earnings are divided by two and multiplied by the number of years in which he

has worked for his employer, dating, however, from 1966.<sup>45</sup> Thus the maximum payment an employee can possibly receive at present when dismissed on redundancy is about equal to his income for two to three months.

In addition to the above, workers in Hong Kong are also protected by the Workmen's Compensation Ordinance. Workmen's compensation became available in Hong Kong in 1953 and since then few changes had been made of the provisions.<sup>46</sup> As it is a 'civil remedy for damages in a common law action', the proof of the employer's negligence or breach of a statutory duty is necessary in order to be entitled to compensations. The present arrangement of the Ordinance applies to all non-manual workers with average earnings not exceeding \$5,000 a month and all manual workers without distinction of occupation. Under the Ordinance, an employee who suffers injury caused by an accident or a scheduled occupational disease arising out of and in the course of employment is entitled to compensation from his employer; over the period of temporary incapacity, periodical payments are made at the rate of 2/3 of the difference between the injured workman's monthly earnings at the time of the accident and his monthly earnings after the accident. If the temporary incapacity lasts more than 24 months, the workman is regarded as having suffered permanent incapacity. For permanent total incapacity, 46 months' earnings are payable subject to a maximum of \$80,000 and a minimum of \$12,800 and if the injured workman needs constant attention, additional payments may be granted. The compensation for permanent partial incapacity is proportionate to the percentage of loss of earning capacity caused by the injury. Lastly, for injury or occupational disease resulting in death, 36 months' earnings subject to a maximum of \$60,000 and a minimum of \$9,600 is payable to dependents of the deceased. Insurance against liabilities under the Ordinance is, however, not compulsory and only since 1967 has legal aid been available to injured workmen claiming compensation but to be eligible for legal aid, they must be having an income below certain limits.

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<sup>45</sup> The revision of the formula regarding severance payments was initiated by the Government but it had not met with the approval of all unofficial members of the Legislative Council. See SCMP, 2 June, 1977.

<sup>46</sup> See Workmen's Compensation Ordinance, Laws of Hong Kong, Chapter 282. The Government has expressed the intention of waiving the income restriction of the Ordinance and extending the protection to all non-manual workers. See Speech of the Governor at the Opening Session of the Legislative Council 1977-78, SCMP, 5 October, 1977. Another amendment of the Ordinance in late 1977 further required employers to compensate injured workers for medical expenses at the rate of HK\$10 for out-patient treatment and HK\$20 for in-patient treatment.

As for the services provided for labour, they include a Local Employment Service and a Youth Employment Advisory Service. Through the Local Employment Service 3,714 persons were helped to secure jobs during 1975–76, and the duties of the Youth Employment Advisory Service mainly consist in the distribution of career pamphlets and the organisation of talks to secondary school students. Since 1969, an apprenticeship scheme has been carried out to ensure on-the-job training and complementary technical education for apprentices in a number of selected industries. Besides the above services, little attention has been given to the training or re-training of disabled workers and the limited number of places provided by the few training centres in Hong Kong is not only far from adequate, but the programmes offered are also not geared to the needs of an industrial economy.

The protection which workers in Hong Kong enjoy could not be described as lavish; at best, it includes some of the basic rights which workers in industrial societies are usually entitled to by virtue of the nature of their work; at worst, it fails to provide workers with the security which they may need in times of failing capacity, such as sickness and retirement. There is certainly much to be desired about labour legislations and services in Hong Kong and one of the valid criticisms is that they fail in generally progressing with the pace of industrialization which Hong Kong experiences.

Table 4.3.1 Medical Personnel

		as at end of year					
		In government service			Total registered		
		1974	1975	1976	1974	1975	1976
Medical doctors		743*	767*	792*	2,723	2,880	3,127
House officers		123	116	155	171	199	210
Dentists		65	62	68	513	541	576
Nurses	General	2,374	2,543	2,758	6,906	7,581	8,226
	Psychiatric	232	238	243	228	265	282

\* Including unregistrable assistant medical officers.

Source: Hong Kong 1977, Appendix 27.

Table 4.3.2 Persons Accommodated in Various Types of Housing, 1976

Government quarters	49,000
Public housing	
Housing Authority estates	1,644,000
Housing Authority cottage areas	38,300
Housing Society estates	117,400
Private housing	2,143,700
Temporary	384,600
Marine	60,000
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	4,437,000
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Source: Hong Kong 1977, Appendix 28.

#### IV. DEVELOPMENT OF SOCIAL SECURITY POLICIES IN HONG KONG

Until very recently, social security in Hong Kong was little more than the equivalence of public assistance providing relief for the destitute. Types of assistance consisted largely of the provision of dry rations and cooked food and at later stage cash payments. Although representatives from Hong Kong often attended conferences and seminars of the International Labour Organisation, they seemed little bothered by the standards adopted or laid down in such conferences on social security.<sup>47</sup> A review of the development of social security policies in Hong Kong will mainly be an examination of changes in public assistance provisions and the various statements, both official and unofficial, which had been expressed from time to time to justify or to disapprove of the system.

Hong Kong came out of the Second World War with much devastation and distress. When the Japanese gave up the occupation in August 1945, the population was estimated to be around 600,000; but it increased to more than 1.5 million a year later when about one million returned to Hong Kong from the Mainland. This increase in population put enormous pressure on the provision of services to meet the most basic and urgent needs. The Government did not hide the fact that under such circumstances long-term plans were impossible and stated that,

Whatever was most urgent was done in the easiest and quickest way. Whatever could be postponed was forgotten for the time. Only in a very few undertakings was it found possible to look further ahead than a few months and no question of long term policy was ever considered unless an irrevocable decision could no longer be postponed.<sup>48</sup>

It was reported that the Government alone was feeding 25,000 destitute persons every day in the year immediately after the War and centres were opened for accommodation. These centres were funded by voluntary organisations like the Salvation Army, British Red Cross, and the St. John's Ambulance War Organisation. However, the aim of these centres was only to help the most genuine cases of distress amongst women and children and the infirm; careful measures were enforced to exclude the adult males who were helped instead by public relief work programmes.<sup>49</sup>

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<sup>47</sup> An example of such conferences is the 1952 Convention of the International Labour Organisation on minimum standards of social security.

<sup>48</sup> Hong Kong Government, Report for the Year 1946, Government Printer, Hong Kong, 1947, p.2.

<sup>49</sup> Ibid., p. 58.

Relief measures were largely financed by general revenue and in case of voluntary organizations, by overseas donations. A Hong Kong War Memorial Fund was established in 1947 to assist those who had participated in the defence of the Colony and were wholly or partially incapacitated from earning and their dependents. It is difficult to determine how much was actually spent on relieving the distress of the destitute and persons without means, though it was reported that in 1947, HK\$8 million were granted to unofficial organisations in the field of social services.<sup>50</sup> It appears, nevertheless, that until 1950, the Government was not particularly concerned or worried about the destitute as they could be repatriated back to China. Besides, there existed in Hong Kong numerous voluntary organisations, both local and foreign, which were more able to raise help and assistance for the destitute than the Government as the Government report for 1948 stated:

Hong Kong has always been fortunate in the large number of local voluntary organisations which have interested themselves in practical and constructive social welfare work; the Social Welfare Office, as the link between the Government and the voluntary organisations, serves to assist each to continue to play its full part in its particular sphere and to encourage all to achieve the necessary co-ordination by means of consultation and constant liaison.<sup>51</sup>

More than ten voluntary organisations were reported in 1948 to be actively involved in relief work; assistance was given in the form of free meals, loans in cash or kind and free repatriation.<sup>52</sup>

Besides, as the Government believed that at least a proportion of the Colony's residents would return to the Mainland when situations were more stable there, efforts to develop a long term and comprehensive income security policy were considered unnecessary. The Government did not even find it necessary to foster among its residents a sense of belonging to the community. The Annual Report for the year 1948 stated:

... the overwhelming majority of the Colony's residents, of whatever nationality, does not regard Hong Kong as its home; most of them come here solely to seek a living, more money, recreation or a political asylum, and strike no roots. Hence the Colony's interest in social welfare has tended to be focussed more on short-

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<sup>50</sup> Report for the Year 1947, p. 79.

<sup>51</sup> Report for the Year 1950, p. 62.

<sup>52</sup> Report for the Year 1948, p. 90.

term and sometimes unproductive relief work, than on the goal of enabling every resident to become a reliable neighbour and a useful and informed fellow-citizen.<sup>53</sup>

Even so, relief measures had grown so rapidly that the temporary measure of putting them under the administration of the Medical and Health Department needed reconsideration. Partly because of this, an administrative officer who had returned from England after finishing a diploma course in social study was appointed Social Welfare Officer with his Office established as a sub-department of the Secretariat for Chinese Affairs. The principal activities of the Office were to include the provision of public assistance, child welfare, responsibility for the probation service, schemes for the further training of local social workers, liaison with all voluntary welfare organisations, and the development of long and short term welfare policies for the Colony.<sup>54</sup>

The embargo put on all goods exported to China by the Government of the United States of America had greatly affected the entrepôt trade of Hong Kong and economic conditions deteriorated. Work was as a result difficult to find and underemployment widespread. Since the establishment of the People's Republic of China in 1949, free travel to and from China was no longer possible and this meant that the aged and the handicapped could not return to their native places. The Government began to realise that the relief of the destitute would probably have to continue; but so long as the voluntary organisations were prepared and able to take up a large part of the work, the Government was only too happy to restrict itself to what little it had been providing. On the whole, during this early period, greater attention was paid to other branches of social welfare than public assistance as evidenced by the kind of training received by officers in the Social Welfare Office. In 1950, a Principal Probation Officer and a Principal Youth Welfare Officer, both fully qualified, were appointed. In the same year, a Children's Officer was sent to England for further study. Even Kaifong (Neighbourly) Welfare Associations were seen to be heading for greater development although their functions included the distribution of non-government relief and the running of free schools and clinics.<sup>55</sup>

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<sup>53</sup> Ibid., p. 88.

<sup>54</sup> Report for the Year 1947, p. 82.

<sup>55</sup> The first kaifong association was established in 1949 in Shamshuipo. By the end of 1951, the number increased to 18.

From 1949 to 1956, the number of persons dependent on public assistance remained steady, except in instances of fires and other natural disasters, with about 2,000 meals distributed every day. The number did not accurately reflect the actual extent of the problem of destitution as a far greater number of persons were receiving assistance, either in cash or in kind, from voluntary organisations apart from the fact that the Government had been very careful to restrict public assistance recipients to the elderly and the juvenile. Two camps were opened in that period, one at North Point and the other at Morrison Hill, for the accommodation of the destitute; the Morrison Hill Camp was closed in 1957 and though the North Point Camp continued into the 1960s, the number of inmates seldom exceeded 500.

Since 1956, the number of families dependent on public assistance increased steadily but gradually, except from 1963 to 1966 when there was actually a drop. The slight economic recession in 1965 and the repercussions of the 1967 Riot had probably boosted the number of people who was desperately in need of one form of assistance or another, but they on the whole did not seem to have made much impact or caused any change in the public assistance provision. The Government had generally stuck to the principle of doing as little as possible, reluctant to go beyond the limit of providing for the poorest, despite suggestions to provide for those deprived of earning capacity through no fault of their own.

At times, the Government also questioned its own stand in public assistance, but either because it was not certain of its responsibility or it had more urgent matters to attend to, the service was not reviewed until the late 1960s. At least once in 1956 when the prospects of immigrants returning to Mainland China grew dimmer and the Government found itself almost forced to venture into areas it had never intended to explore, questions such as the following had been asked:

By setting itself up as the landlord of some 300,000 refugees, did not Government by that fact alone recognise them as an integral part of the population? And did not this imply schooling for their children, care for their sick, more imported food, more reservoirs taking years to build and, perhaps worst of all, more delay to the Colony's legitimate projects of development while these special needs were being met? <sup>56</sup>

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<sup>56</sup> Report for the Year 1956, p. 17.



If schooling for children and caring for the sick should be regarded as special needs, how much more would public assistance be seen as an undesirable burden? Yet communities needed to be integrated and people provided for – responsibilities which the Government had little confidence to bear; ‘How is one to hope to integrate these new communities, which the Government is creating as fast as its resources will allow, into the existing social system unless a special and equally comprehensive effort is made throughout the whole range of social welfare?’<sup>57</sup> However unprepared the Government was to implement a comprehensive social welfare programme, it had at least to establish an administrative infra-structure and the Social Welfare Department was instituted in 1958.

The establishment of the Social Welfare Department in 1958 had not, however, brought in significant changes in the social welfare policy of Hong Kong; it had simply streamlined what it had been doing under the aegis of the Secretariat for Chinese Affairs. Social welfare services during the whole decade of the 1960s had in fact been given a comparatively low priority among the various Government services. In 1959, the Government stated that it must deal with the essentials first and the four essentials which should demand Hong Kong’s immediate efforts were water supply, housing, education and health services.<sup>58</sup> Social welfare was yet to become an urgent matter for the Government to attend to.

Although the 1960s was not a period for much improvement in the public assistance system, it had nevertheless seen the publication of a few significant reports and papers which, if they had failed to make an actual impact on the actual provision of social welfare services, had succeeded in reflecting to a greater or lesser extent the modes of thinking of the people at the time and the views of the experts who had come to Hong Kong to conduct the studies. These reports and papers included the 1965 White Paper on Aims and Policy for Social Welfare in Hong Kong, the Gertrude Williams’ Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong and the 1967 Inter-departmental Working Party Report on Social Security. Descriptions of these reports or papers will be concentrated on relevant sections on social security.

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<sup>57</sup> Ibid., p. 30.

<sup>58</sup> Report for the Year 1959, p. 4.

1965 White Paper on Aims and Policy for Social Welfare in Hong Kong

The 1965 White Paper had been seen as a major paper setting out the development of social welfare services in Hong Kong until it was superseded by the 1973 White Paper on Social Welfare Development in Hong Kong. The 1965 White Paper defined social welfare services as 'required by those who are not capable without help and support of standing on their own feet as fully independent or self-directing members of the community.' The White Paper had a progressive idea about social security and defined it as

the protection which may be provided by society against contingencies of urban life – sickness or chronic ill health, unemployment, old age, and industrial accidents – against which the individual cannot be expected to protect himself and his family fully by his own ability and foresight . . . .<sup>59</sup>

Three methods were proposed to constitute a comprehensive social security system, namely: social insurance, public assistance and pensions or allowances for the aged or children. The White Paper admitted that it was a general pattern for governments to assume increasing responsibility for social welfare, though the role of the voluntary agencies were also emphasised and stressed. The White Paper was significant in that it recognised the inability of individuals to be fully and permanently independent of his social environments and collective responsibility was essential for those in need. The Paper even argued that it was poor economy to sustain non-productive members of the community if by rehabilitation measures they could become partially or fully productive.<sup>60</sup>

Circumstances in Hong Kong affecting the development of social welfare services were reviewed in the White Paper and the factors listed were not only highly informative but also directly relevant to a review of the development of social security measures in Hong Kong. The White Paper was particularly cautious about applying Western concepts to the local situation and warned against organising social welfare services 'in such a way as to make it easier for socially disruptive influences to gain a hold over the community, or to accelerate the breakdown of the natural or traditional sense of responsibility.'<sup>61</sup> Chinese social traditions and values were said to be still maintaining a strong hold in Hong Kong and that poverty, delinquency, infirmity and natural disaster were very much

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<sup>59</sup> Aims and Policy for Social Welfare in Hong Kong, op.cit., p.1.

<sup>60</sup> Ibid., p. 4.

<sup>61</sup> Ibid., p. 5.

regarded as personal matters rightfully dealt with by the family. Besides, there existed in Hong Kong a large number of Chinese organisations which contributed generously in work and money to many forms of social services. The White Paper also warned against the financial implications of having a comprehensive social welfare programme. It was argued that not only was Hong Kong lacking in natural resources, it was also dependent on overseas markets for survival. Resources available in Hong Kong were therefore limited.<sup>61</sup> The White Paper was particularly worried about the potential attraction of a comprehensive social welfare system for immigrants. A comprehensive social welfare service was considered unrealistic and 'the introduction of any further elements in a social security programme would require, in particular, very careful consideration of the potential effects on the economy.'<sup>62</sup>

In spite of the above warnings set out by the White Paper, it recommended that Government should continue to provide minimum public assistance for those demonstrably unable to fend for themselves. As for developmental priorities, the White Paper suggested that efforts be first and foremost directed towards children and young people; services for adults should be concentrated first upon those in special need and whose rehabilitation was likely within a reasonable period of time. So far as social security was concerned, the plans set out by the White Paper could not in any way be regarded as ambitious but even so, the Governor added in a later debate that the White Paper was not a complete blueprint for the organisation of social welfare services and its aims were merely

to try to assess our fundamental obligations, having regard to Hong Kong's special circumstances; to consider priorities; and to suggest which aspects of social welfare work should be undertaken directly by Government, and which could most appropriately be undertaken by voluntary agencies with Government assistance.<sup>63</sup>

Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong

Gertrude Williams was invited to Hong Kong in the Summer of 1965 to advise the Government on 'whether a survey of social welfare services in Hong Kong would be feasible and valuable'. One item in the terms of reference of the study was 'to consider the nature and extent of destitution or distress in Hong Kong and the effectiveness of the methods used to relieve and rehabilitate those in need, in relation to their costs.' The Report went into considerable length on the socio-economic structure of the Hong Kong society.

<sup>62</sup> Ibid., p. 7

<sup>63</sup> Hong Kong Hansard, Session 1965, Government Printer, Hong Kong, p. 52.

Although the Report agreed with many of the prevailing opinions such as Hong Kong being dependent on overseas markets for its survival, it pointed out that the economy of Hong Kong was in fact much more stable and resilient than was generally perceived. It was further argued that the movement towards industrialization was largely determined by the history, traditions and patterns of culture of different peoples in different areas, but once it had started, some common features would emerge. In other words, the Report did not agree with the opinion that 'Hong Kong's economy is absolutely unique and that it can never conform in even a slight degree to the general pattern of economic development that has been shown to exhibit markedly common characteristics in the world as a whole.'<sup>64</sup>

Another significant point made by the Report related to the provision of social security is its doubts about the existence of the traditional functions of the Chinese extended family system. It was a general belief that the Chinese extended family system performed the functions of caring for the old, the young, the sick, the unemployed and the handicapped, that is, all kinds of risks usually provided for in social security, but the Report was skeptical about the ability of family members in an industrial economy to fulfil these responsibilities towards each other even if they wished to. The Report contended that short-term family assistance during an emergency might still be available, but prolonged and continuous help would probably be beyond the means of most people in Hong Kong.

Based on the above observation, a change in public assistance policy was advocated by the Report as the present system which had largely originated from the emergency conditions of early years after the Second World War was considered no longer adequate. Possible factors leading to destitution were examined and the Report was of the opinion that illness and widowhood played a large part as causes of requests for help. This also supported the observation that the extended family system was either breaking down or deteriorating in its traditional functions. To replace the void left by the disintegration of the extended family system, the Report recommended the institution of social insurance to cover, first, short-term risks such as illness and death of the breadwinner. The provision for old age was not regarded as an urgent problem in Hong Kong and a compulsory

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<sup>64</sup> Gertrude Williams, Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong, Government Printer, Hong Kong, 1966, p. 11.

Provident Fund scheme was not expected to be favoured by most of the young workers. However, the introduction of social insurance for old age might be considered when provision for sickness and widowhood had met with some success. As to the method of financing, the Report recommended a tripartite system as a subvention from Government funds would lessen opposition to compulsory contributions from the other two parties. It was envisaged that a successful insurance scheme would reduce demands for public assistance as well as provide a source of information not easily obtainable elsewhere. Although the Williams' Report had not been enacted, it nevertheless threw light on the opinions and foresight of some of the social scientists who came to study the social welfare system in Hong Kong in the mid-1960s.

#### The Inter-departmental Working Party Report on Social Security in Hong Kong

At the same time when Gertrude Williams produced her report, an Inter-departmental Working Party was appointed to consider certain aspects of social security in Hong Kong. The terms of reference of the Inter-departmental Working Party were:

- (i) To examine what is already being done in Hong Kong to protect its people against those contingencies of life – sickness or chronic ill health, unemployment, old age, occupational diseases and industrial accidents – against which the individual cannot be expected to protect himself and his family fully by his own ability and foresight.
- (ii) On the basis of what this examination reveals, and in the light of Hong Kong's particular circumstances, to suggest:
  - (a) what improvements might be made either immediately or reasonably soon to existing prospective arrangements; and
  - (b) what new schemes might be considered by Government and what, in the opinion of the Working Party, the various steps in introducing these schemes might be.<sup>65</sup>

Even before the formation of the Inter-departmental Working Party, the Financial Secretary had 'indicated already in 1965 that the Government was prepared to devote serious study to the practicability of certain types of contributory social security schemes.'<sup>66</sup> The Working Party reported in April, 1967 and like the Williams' Report, its recommendations had never been seriously considered

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<sup>65</sup> Report of an Inter-departmental Working Party on Certain Aspects of Social Security, Government Printer, Hong Kong, 1967, p. 55.

<sup>66</sup> Report for the Year 1965, p. 140.

and taken up by the Government. In fact, when the Report was presented before the Legislative Council, the Colonial Secretary commented,

Honourable members, I think, will not imagine that all the suggestions in this Report will, upon close examination, prove possible or capable of implementation, or indeed prove to be financially possible.<sup>67</sup>

In brief, the Working Party set out first to define its terms of reference and used standards laid down by the International Labour Organisation as guidelines. Then it proceeded to discuss the present provisions and make recommendations on what and how new schemes might be introduced in Hong Kong. In its account of present arrangements for income security, the Working Party brought out the following points:

- (1) Concerning the Chinese family system, the Working Party was of the opinion that virtually obligatory mutual assistance within the extended family had been weakening under the pressure of industrialization and over-crowded urban life.
- (2) Little savings were built up through investments in private insurance schemes.
- (3) There were a proliferation of voluntary agencies and societies, both legal and illegal, running a number of quasi-insurance schemes in Hong Kong. These agencies and societies included traditional Chinese associations, loan and mutual aid societies, salaried worker thrift and loan co-operative societies, better living co-operative societies and credit unions. Needs met by the benefits were those arising from old age and financial difficulties.
- (4) Industrial employers offered little long-term benefits to their workers, e.g. pensions.

Based on the above observations and the fact that a substantial number of old people, widows and divorced/separated women existed in the population, and considering the Chinese philosophy which spoke of a social order in which the aged, the young, the helpless widows, orphans, the destitute, the incapacitated and the sick should be well provided for and looked after, the Working Party rejected the argument that 'the principle of financial contribution

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<sup>67</sup> Hong Kong Hansard, Session 1968, Government Printer, Hong Kong, pp.234–236.

to social insurance was alien to Chinese thought.<sup>68</sup> The Working Party also drew examples from other Chinese communities such as Taiwan and Singapore to support the view that some kind of contributory schemes would be feasible for Hong Kong. Although the Working Party agreed that there might be some truth in the saying that willingness to contribute was less likely where the benefit to be obtained or the contingency to be provided for was neither a predictable occurrence nor likely to occur in the immediate future, the feasibility of a contributory scheme could not be totally discarded.

It was rather unfortunate that the Report failed to produce any effect on the social security policy but judging by the time it was produced, when public assistance in kind was still the norm, it was undoubtedly a progressive and ambitious proposal. The recommendations of the Report on Social Security were probably too drastic for the Government to accept without reservation, but there were clear indications that the public assistance system was inadequate and some form of revision was necessary. Since 1967, cash payments had been granted in lieu of dry rations to the infirm and sick. However, the most important factor which had prompted the Government to take a serious look at the provision of public assistance was the increasing inability of the voluntary agencies to continue the relief functions they used to perform. Voluntary organisations having international connections found it more and more difficult to obtain donations or subsidies from overseas. With the growing prosperity of the Hong Kong community, the type of ad hoc measures originated from the emergency conditions in the late 1940s became unacceptable. In other words, some form of revision of the social security system in Hong Kong was thought to be long overdue.

An adviser was subsequently invited from the Department of Health and Social Security (U.K.) to come to Hong Kong to advise on the matter but his terms of reference were specifically confined to the administrative structure which should be considered in relation to the implementation of an expanded public assistance scheme. The adviser produced a report in February 1970 and based on his suggestions, the public assistance scheme was expanded to become a measure whereby people in Hong Kong, except in the case of the able-bodied, would be safeguarded from living below the subsistence level.<sup>69</sup>

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<sup>68</sup> Report of an Inter-departmental Working Party on Certain Aspects of Social Security, op.cit., p. 92.

<sup>69</sup> T.S. Heppell, Report on the Administration of the Extended Public Assistance Scheme in Hong Kong, Social Welfare Department, Hong Kong, 1970.

In many ways, the expanded public assistance scheme was a milestone in the development of social welfare services in Hong Kong. First, the Government recognised its responsibility in providing for the basic needs of those, particularly the infirm and those suffering from ill-health, who could not in any way support themselves. Second, the acceptance of the Government of this responsibility indicated that the problem of distress and destitution was beyond the protective functions of the extended family system, whether or not it really existed in Hong Kong, and the financial means of the voluntary organisations. Third, the Government's taking over of this basic responsibility implied that voluntary agencies were able to free themselves from the duty of providing financial assistance and turn to more specialised social work services.

In addition to the expansion of public assistance, a non-means tested and non-contributory allowance scheme was introduced in April, 1973 providing allowances for the elderly infirm and the severely disabled. The scheme was different from public assistance as it aimed primarily at satisfying the needs of an applicant rather than increasing their means. As a result of the introduction of the infirmity and disability allowance scheme, the Division formerly responsible for the administration of public assistance and emergency relief was renamed the Social Security Division since its work was no longer confined to the above two areas. Despite the fact that public assistance no longer constituted the only form of social security provided in Hong Kong, it remained the only scheme upon which the majority of those with insufficient means could rely in order to live above subsistence. The safety net function of public assistance still applied and was in no way affected by the introduction of infirmity and disability allowances.

Social insurance, so much advocated in the mid-1960s, was not considered feasible for introduction by the 1973 White Paper which based its arguments on the ground that compulsory contribution would not be acceptable to the people of Hong Kong, that it would be too heavy a burden on the employers, and that the establishment of the necessary administrative machinery would require a lengthy preparatory period.<sup>70</sup> Doubts were expressed about the validity of these arguments,<sup>71</sup> but the Government had largely maintained a

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<sup>70</sup> The Way Ahead, *op.cit.*, p. 21.

<sup>71</sup> See Nelson W.S. Chow, 'The Feasibility of Social Insurance for Hong Kong', The Hong Kong Journal of Social Work, Vol.IX, No. 1 (Summer 1974), pp.12-17.



lukewarm attitude until the social security system in Hong Kong was reviewed in 1977 by the same social security consultant from the United Kingdom.<sup>72</sup>

A review was necessary partly because public expenditure on social security has increased enormously since the expansion of public assistance in 1971 and the introduction of infirmity and disability allowances in 1973,<sup>73</sup> and partly because the 1973 White Paper has promised to extend non-means tested allowances to other 'vulnerable groups', such as widow with dependent children and the chronically ill. The Green Paper on social security development, published as a result of the review, recommended a number of improvements on the existing schemes:

- (1) payment of supplements to long-term public assistance cases;
- (2) payment of supplements to public assistance recipients aged 60 and over;
- (3) extension of old age allowance to those aged 70–74;
- (4) introduction of a non means-tested chronic sickness allowance to those suffering from illness and incapable of work for more than 18 months;
- (5) establishment of a Social Security Appeal Board.

However, the most important recommendation of the Green Paper was the establishment of a centrally administered semi-voluntary contributory scheme for sickness, injury and death. Implementation of the scheme depended on its acceptance by the public. Although the proposed scheme has a certain degree of savings element built into it, since those joining it would receive a small lump sum equal to six months wages on reaching the age of 60, it is essentially an insurance scheme covering short-term risks. Despite its various shortcomings, especially the limited coverage, the proposal indicated that the Government has taken a slightly different attitude towards social insurance and was prepared to consider its introduction in Hong Kong. Thus, after more than a decade of wavering and indecision, the issue of social insurance having been first discussed in 1965, Hong Kong ultimately found itself not entirely exempted from the

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<sup>72</sup> The consultant, Mr. T.S. Heppel, was the same one who came to Hong Kong to examine the extension of public assistance in 1970. See Hong Kong Government, A Programme of Social Security Development (a Green Paper), Government Printer, Hong Kong, 1977.

<sup>73</sup> In 1976–77, the revised estimated expenditure on social security amounted to HK\$238 million, compared to a total revised estimated expenditure on social welfare of HK\$368 million.

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<sup>73</sup> In 1976–77, the revised estimated expenditure on social security amounted to HK\$238 million, compared to a total revised estimated expenditure on social welfare of HK\$368 million.

appendent effects of industrialization and was obliged to find a more permanent solution to the problem of income protection.

## V. TRADITIONAL CHINESE CONCEPTS OF RELIEF AND THE VOLUNTARY AGENCIES

Both the 1965 and the 1973 White Papers stressed the need for the provision of social welfare services to go in line with the accepted values of the Chinese community and for the voluntary welfare agencies to remain an integral part of the provision network. The first point was specially emphasised in the 1965 White Paper which stated that

social welfare services should not be organised in such a way as to make it easier for socially disruptive influences to gain a hold over the community, or to accelerate the breakdown of the natural or traditional sense of responsibility— for example by encouraging the natural family unit to shed on to the social welfare agencies, public or private, its moral responsibility to care for the aged or infirm.<sup>74</sup>

It was also stressed by the White Paper that

In Chinese tradition, social welfare measures which individuals may need on account of poverty, delinquency, infirmity, natural disaster and so on are regarded as personal matters which at least in theory ought to be dealt with by the family.<sup>75</sup>

And Chinese social traditions and values, based as they were on a sound practical knowledge of Chinese family and social needs, must be maintained and not be discontinued as a result of the provision of social services.

A strong voluntary sector was emphasised in the 1973 White Paper which suggested that the public and the voluntary welfare sectors should work in partnership. The White Paper stated:

The fact that the Government accepts the main responsibility for social welfare services does not mean that there is no longer such a need for a voluntary sector. On the contrary, it seems clear that there will continue to be an important role for a vigorous and progressive voluntary sector in the provision of social welfare services in Hong Kong.<sup>76</sup>

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<sup>74</sup> Aims and Policy for Social Welfare in Hong Kong, op.cit., p. 5.

<sup>75</sup> Ibid., p. 6.

<sup>76</sup> The Way Ahead, op.cit., p. 4.

Four reasons were given for the necessary existence of a strong voluntary sector: (1) the voluntary sector would provide a basis of comparison with Government services; (2) it might be easier for an agency to carry out services which could not be carried out in quite the same way by the Government; (3) wider involvement of volunteers could be stimulated by non-Government agencies; (4) it might be easier for a voluntary agency to pioneer new services and to explore new localities.

In view of the points stressed by the White Paper, and since before the enactment of the expanded public assistance scheme in 1971 the relief of the destitute and the granting of cash assistance were mainly in the hands of the voluntary welfare agencies, an examination of the traditional Chinese concepts of relief and the functions of the voluntary organisations is crucial to the tracing of the development of social security in Hong Kong. The examination will also bring insight into the public attitude towards accepting relief, their expectation of the Government in relieving hardship of the destitute and of the way such relief should be administered.

One of the reasons given for the reluctance of the Government to assume a more active role in providing social security to its citizens has been the belief that in so doing it 'may lead to lessening of the kinship obligations of the Chinese people.'<sup>77</sup> Some other remarks on the relation between the provision of public relief and the Chinese traditional beliefs were:

I think I am correct to say that while it is increasingly recognised that the cause of economic dependency is attributed not entirely to personal inadequacy but also to environmental forces which are beyond the control of the individual such as economic depression, family crisis, etc., there still exists a latent fear that relief, long or short duration, will lead to weakening of morale of the person. Direct cash assistance is therefore regarded with suspicion, short of respect of the person or awareness of the individual value. One apparent example can be found in the fact that cash assistance is generally kept at a minimum, unrelated to the actual need of the individual or of his family. In many instances, assistance is granted in the form of "assistance in kind", reflecting a sense of distrust of the individual's capacity to manage his own affairs. . . . In addition to these generally held attitudes mentioned above, in Hong Kong there exists a set of Chinese ethical concepts which stress mutual help and interdependence among kin-group. Therefore, the responsibility of financial support to the person in need is considered to rest on the society at large. If an individual is faced with a problem, his first resource should be the family,

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<sup>77</sup> Lee Hei-man, 'Implications of Cash Assistance in Social Work Practice', The Hong Kong Journal of Social Work, Vol.V, No. 1 (Winter 1970), p. 15.

then the kinship, then the clan . . . . But it is obvious that the cultural patterns for meeting economic needs do have significant bearings on the nature and development of social welfare service in a given community, including public welfare and cash relief.<sup>78</sup>

Chinese historical records are not lacking in examples of relief of the destitute and an examination of the measures undertaken is most enlightening on the form of relief practices developed in Hong Kong. Some of the common features of these measures are:<sup>79</sup>

- (1) It is noteworthy that from the earliest days in Chinese history, natural disasters have been attributed to punishments of the Heavenly on the people or retribution for wrong doings of the rulers. Destitution and loss caused by the disasters have to be fatalistically accepted by reducing one's living expenses, demonstrating thus a sense of penitence and remorse.
- (2) There is evidence to show that throughout the history of China, relief measures were often initiated by voluntary and charitable organisations; the Government stepped in only in times of extreme chaos or when the problem of destitution had grown beyond the means of the charitable organisations.
- (3) Granaries had been instituted in the history of China for three main purposes: (a) to regulate the price of grain; (b) to encourage thrift by storing for the people their surplus grains; (c) to relieve destitution in times of poor harvest. Granaries built for the last purpose seemed to be usually under the administration of the local Governments but it should be noted that those helped were confined to the infirm, the children, the sick and those without any means.
- (4) Relief in kind was the norm rather than the exception: cash payments were seldom given as they were suspected to encourage dependence. It was also honestly believed that relief in kind was the most effective way of relieving destitution as people would immediately be lifted out of material hardship.

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<sup>78</sup> Ibid.

<sup>79</sup> For a discussion on traditional Chinese relief practices, see Teng Yun-te, Relief Practices in China (in Chinese), Joint Publishing Company, Peking, 1961.

- (5) In addition to giving out grains, the destitute might also be provided with accommodation in institutions which were run either by the Government or charitable organisations.
- (6) It was common practice to provide the destitute with the minimum necessary assistance to prevent starvation.

The above characteristics found in the traditional relief practices of China are not dissimilar to situations in most pre-industrial societies; what is significant is that these practices have persisted and remained pre-dominant in Hong Kong while the economy has become increasingly dependent on manufacturing. There are signs, though, that as Hong Kong is moving towards mature industrialism, these traditional practices will gradually diminish in significance and give way to a more formal system of income security. Nevertheless, these traditional practices dominated the relief scene in Hong Kong in the early post-war years and their effects could still be felt today.

One of the traditional relief practices was the stress on voluntary efforts and this had given rise to a number of quasi relief organisations in the 1950s. These organisations were generally known as clansmen or locality associations as they were first organised for people bearing the same surname or coming from the same locality of origin.<sup>80</sup> Some of these associations had existed in Hong Kong before the War but they became very active in the 1950s when large numbers of refugees fled to Hong Kong from Mainland China. Many of the refugees were in desperate need of some form of help or assistance and clansmen and locality associations formed the chief venues to which they might turn for relief. These associations differed little from other charitable organisations since many who registered as members did so mainly for the purpose of receiving aid. The finance of these associations was largely supported by donations from the more affluent members who gave as an expression of their concern for their unfortunate fellow countrymen. The amount of relief distributed through these associations could not, however, be assessed as records were seldom kept.

In addition to the provision of cash or material assistance, the clansmen and locality associations also run schools and clinics, and provided accommodation for members and their dependents. In so doing, they followed

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<sup>80</sup> See Aline K. Wong, The Kaifong Associations and the Society of Hong Kong, The Orient Cultural Service, Taiwan, 1972.

the tradition of regarding education, medical care and housing as integral parts of the relief system. Cash assistance was in fact given only as temporary measures in emergency situations; those dependent on it were expected to stand on their own feet as soon as possible or when they found other sources of support. Also, it was never the intention of the associations to develop the assistance programme into a permanent system requiring regular contributions of all members. Cash assistance was even considered less significant than the running of schools and clinics. A number of kaifong (neighbourhood) associations established in the 1950s also distributed relief to the destitute in their districts, but like the clansmen and locality associations, such aid only served a transient purpose and soon lost its value when situations became more stable and few were really threatened by the lack of the basic means of livelihood. Actually since the early 1960s, most clansmen and locality associations had ceased distributing relief and changed their primary function to social activities, though some still continued to run schools and clinics. The relief work of these associations, even including the traditional ones like the Tung Wah Group of Hospitals, had never been extensive and at best represented only a temporary response to emergency situations.<sup>81</sup>

In summary, relief practices in Hong Kong in the 1950s might be described as being dominated by traditional beliefs which emphasised the contribution of voluntary efforts and a system set up by the Government to provide a minimum living standard for all was not considered absolutely necessary. In practice, Government intervention was only the last resort. It was not until the mid-1960s that these traditional practices were no longer perceived as relevant and suggestions began to be made for the institution of a comprehensive social security service.

#### Contributions of voluntary agencies to relief work

Besides the clansmen and locality associations, a number of voluntary agencies also came into being in Hong Kong in the 1950s and some of them were deeply involved in relief work. Both the 1965 and 1973 White Papers on social welfare development have mentioned the contribution of the voluntary sector and they referred largely to such agencies. Most of these organisations had originated in North America and West European countries and some had existed in China before they transferred their offices to Hong Kong

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<sup>81</sup> See Board of Directors, One Hundred Years of the Tung Wah Group of Hospitals, Tung Wah Group of Hospitals, Hong Kong, undated.

after the end of the Second World War. As these agencies obtained their resources mainly from overseas, they were able to carry out massive relief programmes quite independently of the local economic situation.

Hong Kong had several advantages in the early period after the War in securing donations from the affluent countries, one of which was the refugee problem which had for many years attracted international concern and sympathy.<sup>82</sup> Hong Kong had also been perceived by many as the last bulwark against the infiltration of Chinese Communism; its people had therefore to be supported and assisted. Finally, as a colony, Hong Kong was naturally seen as a place where people were ill-treated and exploited. The inflow of materials into Hong Kong through the international organisations was therefore not accidental. These organisations which had been giving out enormous amounts of relief in the 1950s and 1960s included the Catholic Relief Service, Church World Service, Lutheran World Service and the Co-operative for American Remittances to Everywhere (C.A.R.E.).<sup>83</sup>

The Catholic Relief Services was established in Hong Kong in 1949, then named as the Catholic Welfare Committee of China. The Church World Service was the relief agency of United American Protestantism and its Hong Kong office was established in 1952; its early programmes included housing for fire-victims, child care centres and the distribution of vitamin pills, used clothings and food. The Lutheran World Service was established in Hong Kong in 1954 and like the other organisations was aimed at fighting poverty, disease, illiteracy and unemployment. C.A.R.E. also began its work in Hong Kong in the 1950s and the amounts of relief given out by these organisations were enormous and the number of persons assisted at one time exceeded even a million (Table 4.5.1).

Besides the international organisations, most of the local welfare agencies had also been giving out assistance in supplement to their other services. The Family Welfare Society which became an independent agency in 1949 could serve as an example. In the early days of its establishment, food and clothing obtained through the Red Cross were distributed although the Society had long emphasised the importance of casework services. Up to 1971, financial help

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<sup>82</sup> See Edvard Hambro, op.cit.

<sup>83</sup> See Hong Kong Council of Social Service, Working Together: A Survey of the Work of Voluntary and Government Social Service Organisations in Hong Kong, Government Printer, Hong Kong, 1958.



formed an important part of the work of the Society and only after the implementation of the expanded public assistance scheme was this role diminished (Table 4.5.2).

The relief policies of the voluntary agencies, especially those of the international organisations could, however, be criticised on the following grounds:

First, as finance was mainly derived from overseas donations, relief measures instituted had generally failed to cultivate among the people a motivation to contribute to their own well-being. They also produced the effect of encouraging dependency rather than independence and had little long-term positive effects on recipients. On the other hand, other forms of welfare services had been neglected with the result that voluntary agencies were traditionally identified with the distribution of food and cash payments. This image did not change until very recently.

Second, relief programmes instituted by voluntary agencies had also failed to produce any effect on the development of the social security network such as setting up a contributory fund to safeguard the long-term needs of those receiving aid. At best the measures succeeded only in providing some people with the basic necessities but they seldom contributed to the well-being of those whose needs were not so immediate.

Third, the relief functions of the voluntary agencies had in fact existed longer than was necessary. To a certain extent, this had delayed the introduction of formal social security schemes. Thus, the public assistance scheme was not expanded until 1971 although it had long proved inadequate. Looking from another angle, the voluntary agencies had also missed the chance of diversifying their services when funds from overseas were still available and had been slow in shifting the responsibility of relieving the destitute to the Government. The blame should not of course be placed entirely on the voluntary agencies and the above criticisms are not meant to discredit their good work, but that such measures have been allowed to continue into a time when they were no longer appropriate was probably a mistake.

Table 4.5.1 Large Scale Relief Food Distribution by International Agencies

	1957/1958		1958/1959		1959/1960	
	Amount (tons)	No. of persons assisted	Amount (tons)	No. of persons assisted	Amount (tons)	No. of persons assisted
Catholic Relief Services	11,085	90,000	5,660	867,401	11,490	450,000
Church World Service	1,498	82,700	3,858	185,500	4,240	217,830
C.A.R.E.	2,936	405,000	544	8,270	709	10,000
Lutheran World Service	4,252	80,000	5,964	77,217	6,587	79,525
	<u>19,771</u>	<u>657,700</u>	<u>16,026</u>	<u>1,138,388</u>	<u>23,026</u>	<u>757,355</u>

Sources: Director of Social Welfare, Annual Departmental Reports for 57/58, 58/59, 59/60, Government Printer, Hong Kong.

Table 4.5.2 Financial Assistance Given Out by the Family Welfare Society

12 months ending	HK \$
31.12.1951	50,052
31. 3.1955	77,994
31. 3.1961	153,744
31. 3.1965	293,379
31. 3.1971	491,783

Sources: Hong Kong Family Welfare Society, Annual Report, various years.

## VI. EXISTING SOCIAL SECURITY PROVISIONS IN HONG KONG

The work of the Social Security Division of the Social Welfare Department in Hong Kong consists of (1) administration of the public assistance scheme and the welfare allowance scheme (formerly the disability and infirmity allowance scheme); (2) supply of secretarial services to the Criminal Injuries Compensation Board and the Law Enforcement Injuries Compensation Board; (3) giving of emergency relief; (4) conducting the test of means of legal aid applicants; and (5) repatriation of distressed British subjects.<sup>84</sup> Although emergency relief still constitutes a part of the work of the Division, it is no longer important as in the period immediately following the Second World War. The social security system in Hong Kong thus in actuality comprises only the public assistance scheme and the welfare allowance scheme.

### 1. The Public Assistance Scheme

It is a means-tested scheme whose purpose 'is to bring the income and other resources of a single person living alone or a family up to a level where essential needs such as food and clothing can be met without suffering hardship.'<sup>85</sup> This level depends on the size of the family, the rent they pay, school and travelling expenses and the special needs they may have. The family is regarded as the basic unit in the calculation of needs and means and family includes all those living in the same household including relatives. To be eligible for public assistance, an applicant must have generally resided for at least one year in the Colony. An able-bodied person between the age of 15 and 55 was not eligible before April, 1977, the assumption being that 'work is available in Hong Kong and that those without dependents and capable of work should find it.'<sup>86</sup> The economic recession in 1974 and 1975 has proved that the assumption is an over-optimistic view of the elasticity of the labour situation in Hong Kong and this restriction has been removed in April, 1977. Unemployed persons are now eligible in the second month after unemployment but they must have lived in Hong Kong for more than two years and registered with the Local Employment Service of the Labour Department.

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<sup>84</sup> See Director of Social Welfare, Annual Departmental Report, 1975-76, Chapter III: Social Security.

<sup>85</sup> The Public Assistance Scheme, a pamphlet, 6th edition, Social Welfare Department, Hong Kong, April, 1977.

<sup>86</sup> T.S. Heppell, 'Social Security and Social Welfare: A "New Look" from Hong Kong, Part I', Journal of Social Policy, Vol.2, No.3, p. 228.

The calculation of assistance is based on the needs and means of the whole family. As for the level of assistance, it 'was fixed by combination of the Rowntree "shopping basket" approach and the more accepted comparative approach of working on the basis of the expenditure pattern of the poorer section of the community.'<sup>87</sup> The actual process was first to ascertain the amount of income necessary to provide an adequate level of nutrition. The expenditure of the poorer section of the community on items other than food was then added onto this figure. These items subsequently formed the basis for a Public Assistance Index according to which the public assistance scale rate was updated from time to time.<sup>88</sup> Recipients of public assistance would therefore be guaranteed a living standard above subsistence level, though they would probably remain the poorest stratum in the society. Supplements are now proposed for recipients who have been receiving public assistance for more than 18 months and those aged 60 and above.<sup>89</sup>

Except in a few situations such as incentive payments to persons undergoing vocational training, all incomes of the applicant's family would be taken into account. Suggestions are now made for each recipient aged under 15 and above 60 to retain his earnings up to a maximum of HK\$100 a month.<sup>90</sup> There are also limits to savings and other capital assets possessed by an applicant except for property actually occupied by the family. Discretionary powers are also built into the public assistance scheme whereby an applicant could be granted additional assistance for reasons such as need for special diet. Another point regarding the calculation of needs is that the rent allowed for is the actual rent or a maximum based on Government public housing accommodation whichever is less. For eligible applicants who are living in private tenement blocks with rents higher than the maximum allowed for, they would automatically be included in the waiting list for rehousing provided they are considered to be long-term assistance cases.

The administrative tasks of the public assistance scheme are mainly carried out by field units located in various districts. Investigation of applications is made by staff who are generally not trained in social work, but the administration of social security is still the responsibility of the Social

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<sup>87</sup> Ibid., pp. 229–230.

<sup>88</sup> The Public Assistance Index was first constructed from the modified Consumer Index but since 1976, a new weighting system has been used based on the result of a survey of the expenditure pattern of families in receipt of assistance.

<sup>89</sup> A Programme of Social Security Development, op.cit., paragraphs 4.14 and 4.16.

<sup>90</sup> Ibid., paragraph 4.18.

Welfare Department, and no suggestion has yet been made for it to become an independent Government unit. As the public assistance scheme has built into it a number of discretionary powers, complaints are not infrequent. To provide a means of redress, a Social Security Board was suggested to consider appeals under the public assistance scheme and the welfare allowance scheme.<sup>91</sup>

Although public assistance is now available to practically all people in Hong Kong, certain types of persons have found themselves the most conspicuous among those eligible; they include the elderly, the disabled, the sick, the lowest income groups and more recently the unemployed (Table 4.6.1). There is no doubt that public assistance offers to this group of persons or households much needed aid without which they would probably starve or present themselves as a great burden to their friends or relatives. The public assistance scheme as a last resort for people who fail to support themselves is thus performing an essential function in providing for them a minimum living standard. However, as the scope is limited to those who are mostly outside the productive labour force, it is in no way comparable to social insurance.

## 2. The Welfare Allowance Scheme

The scheme was first introduced in April, 1973 under the name of the disability and infirmity allowance scheme. It was renamed the welfare allowance scheme after a chronic sickness allowance was suggested in addition to disability and infirmity allowances. At the end of March, 1977, the number of persons receiving the benefits was 72,437 with 56,398 on old age allowance and 16,039 on disability allowance. The scheme is basically very simple – it is designed to provide non-means-tested, non-contributory allowances to the elderly, the severely disabled and those incapable of work for prolonged periods because of illness, injury or disability.<sup>92</sup>

To be eligible for old age allowance, a person must be aged 75 and above<sup>93</sup> and must have resided in Hong Kong continuously for at least five years immediately before application; formerly, he must also not be in residential or institutional care but this restriction has been removed. The present level of benefit is fixed at HK\$100 per month, which is one half of the

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<sup>91</sup> Ibid., paragraph 10.8.

<sup>92</sup> Ibid., Chapter 5: Welfare Allowance.

<sup>93</sup> The age criterion would be lowered to 73 in October, 1978 and 70 in April, 1979.

amount allowed for a single person receiving public assistance. It was estimated that more than 70 per cent of those aged 75 and over were already receiving old age allowance and about 10 per cent of them were also receiving public assistance.<sup>94</sup>

The qualifying conditions for disability allowance are more complicated: an applicant has to be severely disabled or in a position broadly equivalent to a person with 100 per cent loss of earning capacity in order to be eligible. There is a residence requirement of one year and the assessment of disability, except in some clearly defined situations such as the loss of two limbs or total paralysis, lies entirely with medical officers of the Medical and Health Department. A mentally disabled person may also be eligible if he requires constant attention or continual supervision. The level of benefit currently allowed for is HK\$200 per month. About 20 per cent of disability allowance recipients were also receiving public assistance. The number of persons in Hong Kong who would be eligible for disability allowance cannot be ascertained though it was estimated to be about 30,000. In addition to the above, a chronic sickness allowance is proposed to be introduced in October, 1979. To be eligible for chronic sickness allowance, a person must have resided in Hong Kong for more than five years, has been incapable of work for the previous 18 months and medically certified to be still incapable of work. The allowance is the same as the old age allowance. A person could only be eligible for one type of welfare allowance.

Including the provisions for workmen's compensation, the existing social security system in Hong Kong comprises three main elements: protection for injured employees, maintenance of the destitute and help for those with special needs. Coverage for occupational injuries is one of the earliest social security measures introduced but except for a few amendments, the Workmen's Compensation Ordinance has largely remained unchanged since its first enactment in 1953. Benefits for permanent disability and survivors of deceased workers are still in the form of lump sum payments; they are thus inadequate and compare unfavourably with pension arrangements in other industrializing countries. As to risks not arising out of an occupational nature, such as maternity and sickness, provisions are even more limited and in most cases, the protection is negligible.

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<sup>94</sup> Research and Evaluation Unit, Report of a Sample Study of DIA Recipients as on June, 1976, Social Welfare Department, Hong Kong, 1977.

The biggest loophole in the existing social security system in Hong Kong is the complete absence of formal provisions for old age. Regarding this need, individual companies or industries are left to make the necessary arrangements with their own employees, the result being that the better off will have greater security while those earning very little will have to survive on whatever assistance available. This partly explains why old age constitutes the main reason for applications for public assistance. Although public assistance is intended to serve as a safety net for all whose incomes are below the subsistence level, it benefits mainly those unprotected by any formal provisions. And fluctuations in the number of people dependent on public assistance may not only reflect a movement of the allowance scale, but also the occurrence of risks that have necessitated reliance on assistance, and the absence of other formal provisions.

The public assistance scheme will probably remain in coming years the major provision in the social security system in Hong Kong with the welfare allowances becoming important sources of income for those with special needs. Nevertheless, since welfare allowances are non-means-tested, the extent of help provided by them is necessarily limited as resources have to be thinned out among numerous recipients. Together, public assistance and welfare allowances provide for those in dire conditions a certain degree of income protection. However, the system excludes many whose need for income security is great but their risks are not directly related to their employment, or they have just failed to meet the criteria of the two existing schemes. To have a system covering the entire population, existing social security provisions in Hong Kong must be greatly improved with the introduction of new measures as the existing schemes only cater for those with either meager means or exceptional needs.

Table 4.6.1 Classification of Public Assistance Cases, 1971–75

	71–72	72–73	73–74	74–75	75–76
	(situation at March 31)				
Old age (55 & over)	6,644	10,043	14,524	23,778	29,780
Ill health	2,344	3,379	5,001	6,847	7,160
Low earning	1,803	2,712	3,412	7,847	8,786
Widow with dependent children	1,407	1,670	1,948	2,438	2,582
Blind	474	495	594	595	647
Physically disabled	334	404	568	592	603
Mentally ill	195	238	528	537	669
Drug addiction	146	136	284	437	561
Unemployed	135	154	503	2,472	2,954
Deaf	27	52	45	44	56
Others	—	—	—	168	641
	13,509	19,283	27,407	45,755	54,439
Amount of payment (HK\$)	11,983,540	30,549,914	45,420,017	102,853,156	163,327,326

Sources: Director of Social Welfare, Annual Departmental Report, Social Welfare Department, Hong Kong, various years.



## VII. AN EVALUATION OF THE SOCIAL SECURITY POLICIES IN HONG KONG

A former Governor of Hong Kong, Sir David Trench, once spoke on social policy in Hong Kong in the Legislative Council

The concept of social policy being applicable to all here had its origins only in about 1953, and what had been done to meet this new challenge has been done in the short space of only about 17 years. We have had large numbers to contend with, without time for the long, slow build-up of social institutions that other countries have enjoyed; and moreover we have had to deal in the main with a population suffering the difficulties of the transition from life in a rural self-sufficient society, with its own traditional forms of protection for those in poor circumstances, to an urbanised, industrial society in which assistance in need has to be sought from society itself.<sup>95</sup>

Seventeen years might seem a short time for the Government to build up the necessary social institutions to meet the people's needs for social services but during these 17 years, that is, from 1953 to 1970, Hong Kong had made immense progress with great speed in various directions, especially in its economic developments. It is mainly this discrepancy which is worrying those who are concerned about the welfare of the people. The Report of the Inter-departmental Working Party on Social Security remarked:

Despite the remarkable progress which has made in other directions in Hong Kong, developments in the field of social security . . . are conspicuous by their almost total absence.<sup>96</sup>

In an examination of the social security policies in Hong Kong, the question is thus not what the Government has provided but to what extent the Government has been able to give its people income security as the city advances towards mature industrialism. Viewing the situation from this angle, the existing social security provisions in Hong Kong are rather inadequate. The examination reveals that before the expansion of public assistance in 1971, assistance to the needy was largely left to the charitable organisations and a few voluntary agencies whose main sources of income were overseas donations. The expanded public assistance scheme marked to a certain extent the willingness of the Government to provide for the needy, to take care of those not even able to keep themselves above the subsistence level. Admittedly, the old age and

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<sup>95</sup> Hong Kong Hansard, Session 1970, Government Printer, Hong Kong, p.9.

<sup>96</sup> Report of an Inter-departmental Working Party on Social Security, op.cit., p.28.

long-term supplements recommended for introduction would serve to meet the varying needs of public assistance recipients but they would little affect the interests of workers whose need for protection extends beyond that of a basic living standard.

It has been pointed out that the interests of workers at present is mainly safeguarded by the Employment's Ordinance and the Workmen's Compensation Ordinance but the relevant provisions are still far from satisfactory as long term risks such as invalidity and old age are hardly covered. On the other hand, the need for income protection is rising as indicated by the increasing number of both industrial and non-industrial accidents which so often deprive a family of its sources of income (Tables 4.7.1 and 4.7.2). The absence of income security measures for workers in Hong Kong is mainly attributable to the weakness of the trade union movement. It has been pointed out that the least unionised workers are those employed in manufacturing as they are often the most mobile and unstable. A special report on Hong Kong in The Economist remarked:

To many Chinese, trade unionism is an imported western idea that has a characteristic they particularly dislike – confrontation. So, such unions are more like old-fashioned friendly societies which concentrate upon providing benefits such as schools.<sup>97</sup>

Ineffective trade unions imply that workers often fail to present a formidable political force to be reckoned with in the making of laws to their favour and workers in Hong Kong would continue to suffer because of this; on the other hand, suggestions to improve their conditions would have to come either from the Government or some outside bodies like the International Labour Organisation.

Yet, it should not be assumed, judging from what little agitations they have stirred up, that workers are contented in Hong Kong. On the contrary, workers in general are dissatisfied with their work as revealed in a study conducted in the late 1960s on levels of emotional strain:

In addition to the low proportion who like their work very much, people in the colony are also most likely to single out narrow monetary rewards as the major feature of work that they enjoy. Work itself appears to have little intrinsic meaning; workers have relatively little influences over the policies of

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<sup>97</sup> 'On the edge of a continent', The Economist, op.cit., p. 14

their firm; and Hong Kong workers are the most likely to feel that their jobs have low community prestige. Work is more of a discomfort than a source of joy and meaning to many people in Hong Kong.<sup>98</sup>

The study further reported that 'people in Hong Kong who have insecure jobs are the most likely to say that there is nothing in life that gives them satisfaction' and 'that they have high levels of strain and no joy.'<sup>99</sup> The strain experienced by the majority of employed persons in Hong Kong is partly the result of the financially insecure position they occupy. For most of them, the best method to insure themselves against the various types of risks is to earn as much as they are able to, so that they may have the means to tide themselves over during difficult periods. Those who fortunately possess marketable skills would probably find the existing economic system in Hong Kong not so much against them as opportunities are usually plentiful in such societies. But unskilled workers who can earn little and are unlikely to advance in their economic positions would find the system a harsh one. For these people, the degree of protection to which they are entitled in case of occupational injuries and death is but minimal; and when they have exhausted their means, the only provision they may fall back on is public assistance which, even with the improvements recommended by the recent Green Paper on social security development, is still hardly an income security measure for the able-bodied.

The proposed contributory insurance scheme for injury, sickness and death of the employed in Hong Kong, when implemented, would go some way in meeting the need for income security. However, the scheme is limited both in scope and function. First, although a retirement benefit is proposed to be given to members of the scheme who have reached the age of 60 and have seldom made a claim for other benefits, the maximum amount equals only six months pay and is, therefore, not truly a provision for old age. Second, the calculation of contributions and benefits of the proposed scheme is based on the earnings of members; employees with higher incomes would thus pay more and receive more in absolute amounts. The 'pooling of risks' would occur between members facing various degrees of risks and not between different income classes.

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<sup>98</sup> Robert E. Mitchell, Levels of Emotional Strain in Southeast Asian Cities, a Project of the Urban Family Life Survey, Social Research Centre, The Chinese University of Hong Kong, a monograph, 1969, p. 399.

<sup>99</sup> Ibid., p. 299.

The amount of benefits a low-income earner would be entitled to would in fact be so meager that it might be better for him to rely on public assistance, especially when he has a family. To make the scheme more progressive in nature, contribution and benefit rates might be fixed more in favour of low-income earners. Third, proposed benefit rate to cover short-term risks are inadequate. Both sickness and injury benefits would begin on the second month and last for a maximum of three months; payment for each month is fixed at half of the monthly income of the member concerned. Death benefit for survivors of members who die before reaching the age of 60 would also be limited to six months' pay. Benefits are so low because contributions required of both employers and employees, fixed in each case at two per cent of an employee's earnings, are low in comparison with similar schemes in other countries. Higher benefits and a more comprehensive coverage would naturally imply higher contribution rates; but as it stands, the proposed scheme would neither constitute a help to those in the lowest income strata nor fulfil the purpose of providing income security for the majority of employed persons in Hong Kong.

The introduction of social insurance in Hong Kong must necessarily be cautious and the Green Paper is of the opinion that Hong Kong is not yet ready for a compulsory social insurance scheme covering the whole population and must concentrate on helping those least able to help themselves.<sup>100</sup> The Paper also takes the position that in planning social security for Hong Kong, steps must be taken to ensure that resources are not simply diverted from other social services to social security. In the opinion of the Green Paper, social security constitutes only a portion of the social wage provided for those in need, others being housing, education, medical and social welfare services.

Most developing countries regard social security as a form of social service and there is nothing special about the approach in Hong Kong.<sup>101</sup> It is evident that Hong Kong is trying to meet the basic needs of the whole population for housing, education, medical care and a minimum living standard through the provision of a wide range of social services. In other words, social

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<sup>100</sup> Green Paper on Social Security Development, op.cit., paragraph 2.3.

<sup>101</sup> It has already been mentioned that the main concern of the Government in Hong Kong is to provide the necessary infrastructure for the smooth running of the society but in recent years, the Government has gradually been drawn into affairs affecting the whole population.

security in Hong Kong has yet to develop into an independent system, specially geared to the income security needs of the entire population. Even the contributory insurance scheme proposed for introduction in 1980 does not deviate from the principle of providing for those 'least able to help themselves' and it is thus in nature unlike most social insurance programmes currently existing in industrialized countries. This approach of providing the minimum implies that the income security needs of the majority of employed persons in Hong Kong would remain unmet and this is most obvious in the coverage for long-term risks.

The reluctance of the Government to introduce comprehensive social security programmes is mainly attributable to the non-interference policy which the Government has maintained in all its activities. This is not implying that the Government is inactive but as far as possible, it has left matters to individual initiative and action. The Government may truly believe that income security is a personal matter which a person with assistance from family members must provide for himself; the role of the Government is only confined to providing for the most needy or desperate. A question must, nevertheless, be asked: how long can the Government maintain this policy as Hong Kong advances into mature industrialism with the appendent features of uncertainty and anonymity? The publication of the Green Paper on social security development clearly indicates that the Government is making concessions to the rising need for such measures but the proposals are too modest to have any substantial effect on the problem which Hong Kong is only beginning to face.

Table 4.7.1 Reported Accidents by Insurance Status

	1974	1975
Insured	25,308 (186)	28,052 (156)
Not insured	4,116 ( 27)	4,504 ( 38)
Unknown	1,590 ( 21)	1,849 ( 18)
	<u>31,014 (234)</u>	<u>34,405 (212)</u>

Note: Figures in brackets give the number of fatalities.

Source: Commissioner for Labour, Annual Departmental Report, 1974-75 and 1975-76, Table 9E.

Table 4.7.2 Working Days Lost from Non-fatal Injuries

No. of working days lost	No. of injuries		Total no. of working days lost	
	1974-75	1975-76	1974-75	1975-76
0-13	19,651	20,699	125,852	132,764
14-30	4,057	4,447	80,972	89,494
31-60	2,902	2,737	126,642	118,127
61-90	1,126	1,012	82,598	73,853
91-120	443	401	45,923	41,451
121-150	225	174	30,339	23,107
151-180	131	102	21,541	16,835
181-270	130	100	27,694	21,265
271-360	28	16	8,511	4,882
Over 360	3	1	1,294	380
Not recorded or not assessed	2,084	4,504	0	0
	<u>30,780</u>	<u>34,193</u>	<u>551,366</u>	<u>522,158</u>

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Source: Ibid., Table 9G.

CHAPTER FIVE  
SOCIAL SECURITY SYSTEM IN MALAYSIA

I. SOCIAL, POLITICAL AND ECONOMIC CHARACTERISTICS

Modern Malaysia is composed of two parts: East and West Malaysia. The present case study is confined to West Malaysia, or Peninsular Malaysia, made up of the eleven states of Johore, Kedah, Kelantan, Malacca, Negri Sembilan, Pehang, Penang, Perak, Perlis, Selangor and Trengganu. To avoid confusion, a word of clarification is necessary about the use of the word 'Malaya' as it gives different denotations during different periods. Before the Second World War, 'Malaya' was normally used as a collective name for the Straits Settlements, the Federated Malay States and the Unfederated Malay States. After the War, on 1 April, 1947, the Malayan Union and the Colony of Singapore came into existence, but the Malayan Union was soon replaced by the Federation of Malaya as the result of an agreement made in 1948 which provided for the setting up of a Federal Legislative Council. In 1955, a new Constitution was introduced in the Federation of Malaya transferring most of the responsibility of the Government to the elected representatives of the Federal Legislative Council; independence of the Federation was subsequently gained in August, 1957. Self-government was on the other hand achieved by the Government in Singapore in 1959 and discussions were carried on for it to merge with the Federation of Malaya. A new Malaysia federation was thus formed in July, 1963 comprising Malaya, Singapore, Sabah, and Sarawak. Singapore did not, however, stay long in the Federation and two years later left to become a sovereign and independent nation of its own. The present Malaysia thus consists of Peninsular Malaya, Sabah and Sarawak, or West and East Malaysia.

Although Singapore has for a short period been part of Malaysia, it has always had its own social security system and would not be discussed here. Sabah and Sarawak have also been excluded not only because information is not easily available but also because in many respects, these two places are still different from West Malaysia. The eleven states of Peninsular Malaya are of course in no way homogeneous, each having its own traditions and local administrations, but they have been under one central administration since the independence in 1957. Legislations that affect the country are now being

enforced, as far as possible in all the states, though allowances are always made for special circumstances especially regarding the pace of implementation.

### I. Population

At the end of 1974, the estimated total population of West Malaysia was 9,865,635 comprising 5,274,077 Malays, 4,381,447 Chinese, and 1,034,577 Indians and Pakistanis (Table 5.1.1). The rate of natural increase of the total population remained throughout the greater part of the 1960s at over 30 per thousand; it dropped below 30 per thousand in 1969 to 27.1. In general, Malays have a higher natural increase rate than the other racial groups as Malay families are usually larger in size (Tables 5.1.2 and 5.1.3).

Like most developing countries, Malaysia has a very young population; according to the 1970 Census, about 44.7 per cent of the population was in the age group 0–14 and 25.7 per cent in the age group 15–29. On the other hand, people aged 65 and over are comparatively small in number, amounting to only 279,717 or 3.2 per cent of the total population in West Malaysia in 1970 (Table 5.1.4). Despite the youthful composition of the population, not much attention has been paid to family planning until the publication of the First Malaysia Plan (FMP) in 1966 when it was declared a responsibility of the Federal Government. A family planning programme was subsequently initiated and undertaken by a National Family Planning Board. The Board began its operation in May 1967 and until the end of 1970, about 222,000 new family planning acceptors were registered with the national programme and approximately 63 per cent of these new acceptors were found to be continuing users at the end of 12 months.<sup>1</sup> The Board has quickly recruited its own team of clinical and field staff which served more than 500 static and mobile clinics throughout West Malaysia.<sup>2</sup> This vigorous effort seemed necessary as knowledge about family planning was generally lacking among the population. According to the 1966–67 Family Survey, it was reported that of all women interviewed, only 22 per cent said that they knew how to use at least one contraceptive method.<sup>3</sup> In order to encourage the practice of family planning, the Government has also

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<sup>1</sup> See Economic Planning Unit, Prime Minister's Office, Second Malaysia Plan (SMP), Government Press, Kuala Lumpur, 1971, p. 247.

<sup>2</sup> See SMP, p. 216.

<sup>3</sup> See David Lim, Economic Growth and Development in West Malaysia, 1964–70, Oxford University Press, Kuala Lumpur, 1973, p. 71.



limited its employees' maternity benefits to the first three children. And to achieve the development targets of the New Economic Policy, it was stated in the Third Malaysia Plan that a reduction of the annual population growth rate to about two per cent by 1985 was one of the necessary conditions.<sup>4</sup> Family planning would thus be given great impetus and the present target is to extend such services to all rural areas and to integrate them with the rural health services of the Ministry of Health.

## 2. The Economy

Even before the independence of the Federation of Malaya, economic development plans have been launched with the adoption of the First Five-Year Plan, 1956–60, in 1956. The Second Five-Year Plan, covering the period from 1961–65, was issued in 1961; it followed closely the development targets laid down in the First Five-Year Plan with particular emphasis on (1) diversifying the economy with industrial expansion, (2) increasing employment opportunities, and (3) improving the economic and social well-being of the rural population. With the formation of the state of Malaysia in 1963, a new series of five-year development plans were formulated with the first one adopted in 1966. In 1970, the Second Malaysia Plan (SMP) was published, together with the announcement of a New Economic Policy covering a twenty-year period until 1990. The New Economic Policy aimed at (1) eradicating poverty among all Malaysians, irrespective of race, and (2) restructuring Malaysian society so that the identification of race with economic function and geographical location would be reduced and eventually eliminated.<sup>5</sup> The objectives and implementation of the development plans would be further discussed but it suffices to point out here that although the plans are mainly formulated by the Economic Planning Unit of the Prime Ministers' Office, their aims are in fact both social and economic: they aim not only at the development of the economy and thus the creation of wealth but also a more equitable distribution of the accrued resources.

During the past two decades since 1957, the Malaysian economy has shown satisfactory performance in sustaining adequate long-term growth and price-level stability. Notwithstanding the increase in population at about three per cent

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<sup>4</sup> Economic Planning Unit, Prime Minister's Office, Third Malaysia Plan (TMP), Government Press, Kuala Lumpur, 1976, p. 412.

<sup>5</sup> See SMP, p. 61.

during the 1960s, per capita income has managed to rise during the same period from M\$806 to M\$1,080, an increase of over 30 per cent.<sup>6</sup> West Malaysia is now amongst the few palces in Southeast Asia which have a comparatively high living standard.<sup>7</sup> Compared to other nations, West Malaysia is well endowed with natural resources but its relative affluence has been obtained mainly through the production of two primary commodities, viz. rubber and tin. However the importance of the export of these commodities has declined since the early 1950s with increasing competition from synthetic rubber and the rapid depletion of known tin deposits. The need is felt to diversify the base of the economy and changes have been made not only within the primary sector with the production of some newer commodities like iron-ore, timber and palm oil, there is also a shift of emphasis to the development of secondary and tertiary production, especially manufacturing. During the period the Second Malaysia Plan, 1971–75, manufacturing has experienced one of the fastest growths and in 1975 it accounted for almost 15 per cent of the Gross Domestic Product by sector of origin; while agriculture remained at around 30 per cent during the same period (Table 5.1.5). The aim of the diversification of the Malaysia economy and the development of manufacturing is not simply to promote a faster economic growth but also to lower the level of unemployment and greater economic stability. Manufacturing in Malaysia is, however, still heavily dependent on the production of import-substituting types of light consumer goods. While manufacturing is given much attention, the traditional economically-backward sector of small-scale rice, coconut and fishing activities has been ignored, resulting in the low productivity of the peasant sector. The Malaysian economy is hence characterised by a high degree of imbalance, first between the different sectors of production and secondly, between the different rates of development (Table 5.1.6). Nevertheless, the Malaysian economy has so far enjoyed favourable trading and in comparison with other developing countries in the Southeast Asian region, the external public debts that Malaysia owes other countries or international monetary institutions are small (the external debt in 1975 was about 11 per cent of the GDP).<sup>8</sup> What is worrying is that Malaysian corporations are still largely controlled by foreign investors who even recently held more than half of the total stocks in the market.<sup>9</sup>

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<sup>6</sup> Ibid., p. 76.

<sup>7</sup> See David Lim, op.cit., p.76.

<sup>8</sup> See TMP, p. 22.

<sup>9</sup> See Wolfgang Kasper, Malaysia: A Study in Successful Economic Development, American Interprise Institute for Public Policy Research, Washington D.C.,1974, p.12.

As for the expenditure pattern, about 2/3 of the GDP in 1975 were accounted for by private consumptions (Table 5.1.7). Both public and private investments have, however, maintained rapid growths and during 1971–75, the average annual growth was 11 per cent. This high investment rate has been attributed not only to the buoyancy of the Malaysian economy, but also to the income distribution pattern which on the whole has favoured the rich, and the attitude of the Chinese Malaysian communities towards saving. The Malaysian economy is thus more healthy than that of many other countries in Southeast Asia and should in no way be endangered by a fairer distribution of available resources.

### 3. Public Finance

Public consumption in Malaysia has experienced a rapid increase in recent years: as a percentage of the total real consumption, it grew during 1971–75 from 21.1 per cent to 25.4 per cent, at about twice the rate of private consumption. Total Federal revenue for 1974 was estimated to be M\$ 4,400 million, and as a proportion of GDP, it was expected to increase from 27.9 per cent in 1975 to 29.3 per cent in 1980 (Table 5.1.8).<sup>10</sup> Resident individuals in Malaysia are taxed on their chargeable income on a graduated scale ranging from six per cent on the first M\$2,500 to a maximum of 50 per cent on income exceeding M\$50,000 while non-resident individuals are taxed at the rate of 40 per cent which is also the rate for corporate profits. A two per cent payroll tax, modelled on the British example, has once been introduced in 1965 but was soon dropped in late 1960s. In general, public finance in Malaysia has been operated on a deficit budget basis with the cumulative total for 1966–70 amounting to M\$2,512 million (Table 5.1.9).<sup>11</sup> The deficit for 1971–75 was estimated to be four times bigger, about M\$8,120 million while a further deficit was envisaged under the period of the Third Malaysia Plan, 1976–80, amounting to about M\$16,855 million. Deficits are usually made up by borrowing from foreign and domestic sources.<sup>12</sup>

On the spending side, expenditure are allocated either for current or development purposes. Federal Government current expenditure for 1974

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<sup>10</sup> TMP, p. 243. Also Anthony Rowley, 'Malaysia boosts public spending', Far Eastern Economic Review, November 11, 1977, pp. 42–45.

<sup>11</sup> See SMP, p.35.

<sup>12</sup> Interest payments on domestic and external debt amounted to 14.2 per cent of current Government spending in 1977. See Anthony Rowley, op.cit., p. 43.

were M\$3,658 million with defence and security, being the biggest item, accounting for M\$945 million, followed by education, general administration, payments on loans, medical and health (Table 5.1.10). Social welfare was at the bottom of the list, accounting for about M\$12 million. As regards development expenditures, the lion's share, or 67.2 per cent, under the Second Malaysia Plan was allocated for economic purposes, with agriculture and rural development taking up 26.5 per cent (Table 5.1.11). This was followed by social services which accounted for 14.7 per cent of the total development expenditures under the Second Malaysia Plan. The pattern would be similar under the Third Malaysia Plan, 1976–80, despite an absolute increase in the amount allocated for development purposes.

Thus, though expenditures on social services, particularly education, medical and health services, were the major items on the current spending list, some restraints have been imposed on their rapid expansion as indicated by the comparatively low percentage of funds allocated for their further development. The pattern of allocations shows during the period of the First and Second Malaysia Plans, 1966–75, the emphasis of development was on building up the infrastructure of the rural sector and on manufacturing. The development of social services cannot be regarded as neglected, but besides education, expenditures on the other social services have been insignificant as a percentage of the total Government spending.

#### 4. Administration

West Malaysia is still pre-dominantly rural with about 30 per cent of the population living in towns. The pace of urbanization has been speeded up in recent years but Malaysia has only begun to be bothered by the negative social and environmental consequences of large cities. Ever since her independence in 1957, the country is ruled in name by the Yang-di-Pertnan Agong, or the King, elected by a conference composed of the rulers of the states of Malaysia. The actual power of government lies, however, in the Federal Parliament, and in particular, the lower chamber. The upper chamber, or Dewan Negara (the Senate) comprises 58 members with 32 nominated by the Yang di-Pertnan Agong from among citizens and the remaining 26 elected by the legislative assemblies of the 13 states of Malaysia, each state returning 2 senators. The Dewan Rakyat (the House) is, on the other hand, fully elective and members are limited to citizens aged 21 and above. The life of the Dewan Rakyat is 5 years. Daily administration of the Government is in the hands of the cabinet consisting of the Prime Minister and

an unspecified number of ministers. Ministers must all be members of Parliament while the Prime Minister must come from the House of Representatives, or the lower chamber. In general, Federal Government policies are implemented through the various ministries and departments and they are limited to general legislations regarding the whole country as each state has also its own constitution and legislative assembly. The state legislatures have only one chamber with powers to legislate on matters regarding their states and not reserved for the Federal Government.

In West Malaysia, states are further divided into municipalities with councils administering local affairs. The municipal councils are in fact financially autonomous statutory corporations and thus self-contained entities invested with a wide range of powers; their activities include public health, town planning, cultural activities and public transport. Below the municipal councils, there are town councils and rural district councils. The autonomy of the states implies that regional diversities are allowed in Malaysia. The present arrangement of the administrative system implies also that measures enacted in Parliament would not necessarily be carried out uniformly throughout the states, although efforts are now being made to even out the differences. But since the states vary greatly in natural resources and in their particular areas of interest, a certain degree of autonomy of the states may be an advantage rather than a disadvantage.

Notwithstanding the regional diversities, public administration in West Malaysia is on the whole effective, though not always efficient. The structure is still in many ways a legacy of the British tradition, with strong emphasis on stability and continuity. One characteristic is that public servants in West Malaysia consist of a relatively high percentage of Malays, who are generally well-educated and see public service as one of their best opportunities to advance themselves. This high concentration of educated Malays in the public service has of course its defects as it tends to create nepotism and thus a reduction in competence and initiative. Also, fewer educated Malays would be available for commercial and industrial employment. But so far as public administration is concerned, the performance of the civil servants has been satisfactory; and although sluggishness exists in the machinery, especially in the local and district levels, the Government, both Federal and state, can generally maintain a tight grip over the whole country. As comprehensive social security schemes usually require the collection of

contributions and payment of benefits, comparatively effective administrative system in West Malaysia is thus an asset to the implementation of such schemes. This advantage is particularly important in a developing country like West Malaysia where the majority of the population is still living in villages. The introduction of contributory social security schemes would have been much more difficult, if not possible, if West Malaysia had not developed an effective public service and the influence of the Government not spread over the rural areas.

Table 5.1.1 Population, 1957–1974

	Malays	Chinese	Indians & Pakistanis	Others	Total
1957	3,187,375	2,369,927	718,126	112,118	6,387,656
1960	3,514,823	2,542,310	761,854	110,707	6,929,694
1963	3,865,200	2,740,121	811,047	107,074	7,523,442
1966	4,238,164	2,924,167	862,142	101,799	8,126,272
1969	4,582,007	3,091,216	897,539	97,904	8,668,666
1970	4,712,853	3,161,779	944,681	70,715	8,890,028
1971	4,850,835	3,245,173	967,063	72,031	9,135,102
1972	4,991,405	3,325,595	989,679	73,248	9,379,927
1973	5,128,639	3,403,081	1,011,195	74,390	9,617,305
1974	5,274,077	3,481,447	1,034,577	75,534	9,865,635

Source: Monthly Statistical Bulletin of West Malaysia, August, 1976.  
Department of Statistics, Kuala Lumpur, Tables 1.1 and 1.2

Table 5.1.2 Vital Statistics

	Birth rate (a)	Death rate (a)	Infant mortality rate (b)
1965	37.8	8.2	50
1967	36.6	7.8	45
1969	34.7	7.6	43
1970	33.9	7.3	41
1971	34.3	7.1	39
1972	33.3	6.9	38

(a) Per 1,000 estimated mid-year population

(b) Per 1,000 live births

Source: Statistical Handbook of Peninsular Malaysia, 1974.  
Department of Statistics, Kuala Lumpur, 1975, Table 4.1

Table 5.1.3 Natural Increase in Population, 1957-1974

	Malays	Chinese	Indians and Pakistanis	Others	Total
1957	33.2	33.5	38.5	23.7	33.7
1960	32.0	30.4	35.6	28.2	31.8
1963	31.7	29.7	33.5	30.1	31.1
1966	32.6	28.2	30.6	22.9	30.7
1969	28.9	24.9	25.6	24.7	27.1
1970	27.8	25.4	24.8	20.3	26.6
1971	28.8	26.0	33.4	18.4	27.2
1972	28.5	24.5	23.1	16.8	26.4
1973	27.1	23.1	21.5	15.7	25.0
1974	28.0	22.8	22.9	15.4	25.5

Note: Figures per 1,000 of the revised mid-year population

Source: Monthly Statistical Bulletin of West Malaysia, August, 1976, op.cit., Table 2.1

Table 5.1.4 Distribution of Population by Age Group, 1970

Age group	Males	Females	Total
0-4	698,718	671,710	1,370,428
5-9	692,375	665,425	1,357,800
10-14	606,849	591,037	1,197,886
15-19	484,096	492,501	976,597
20-24	366,394	378,542	744,936
25-29	273,199	276,484	549,683
30-34	265,091	269,080	534,171
35-39	204,883	215,469	420,352
40-44	186,606	189,115	373,721
45-49	152,570	157,658	310,228
50-54	139,890	135,927	275,817
55-59	117,210	106,143	223,353
60-64	101,519	93,349	194,868
65 & over	145,245	134,472	279,717
	<u>4,434,645</u>	<u>4,374,912</u>	<u>8,809,557</u>

Source: Statistical Handbook of Peninsular Malaysia, 1974, op.cit., Table 1.3

Table 5.1.5 Gross Domestic Product by Sector of Origin, 1970–75

Sector	(M\$ million in 1970 prices)						Average annual growth rate %
	1970	1971	1972	1973	1974	1975	
Agriculture	3,432	3,612	3,720	4,241	4,518	4,563	5.9
Mining & quarrying	613	663	701	666	619	612	0
Manufacturing	1,307	1,436	1,610	1,904	2,175	2,197	10.9
Construction	481	544	569	631	677	711	8.1
Electricity, water & sanitary services	245	260	301	339	372	401	10.4
Transport, storage & communication	606	637	764	901	1,036	1,098	12.6
Wholesale & retail trade	1,423	1,496	1,586	1,824	2,006	2,086	7.9
Banking, insurance & real estate	836	890	928	1,008	1,063	1,109	5.8
Public administration & defence	794	866	979	1,018	1,090	1,199	8.6
Other services	874	918	1,001	1,081	1,189	1,237	7.2
Statistical discrepancy	+ 97	+ 267	+ 190	+ 254	+ 52	+ 102	—
GDP at factor cost	10,708	11,582	12,349	13,867	14,797	15,315	7.4

Source: Economic Planning Unit, Prime Minister's Office, Third Malaysia Plan, Government Press, Kuala Lumpur, 1976, Table 2.1

Table 5.1.6 Exports of Merchandise by Principal Commodities

	1967	1970	1971	1972	1973 (revised)	1974 (provisional)
Rubber	1,216	1,663	1,417	1,260	2,396	2,785
Tin	755	1,013	905	924	897	1,514
Sawlogs	59	99	101	99	56	53
Saw timber	70	150	145	225	472	391
Iron ore	122	107	20	8	4	3
Palm oil	110	246	356	325	428	979
Palm kernel	8	8	5	—	—	—
Pepper	1	2	3	2	2	3
Copra	1	0.3	0.1	0.1	0.2	0.9
Coconut oil	22	39	33	15	29	101
Canned pineapple	43	43	40	41	38	50
Total major exports	2,411	3,374	3,030	2,903	4,326	5,885

Source: Statistical Handbook of Peninsular Malaysia, 1974, op. cit., Table 18.3.



Table 5.1.7 Gross National Product by Expenditure Category, 1970-75

	(M\$ million in 1970 prices)						Average annual growth rate %
	1970	1971	1972	1973	1974	1975	
Consumption							
Private	7,486	7,870	7,998	8,664	9,250	9,036	3.8
Public	1,997	2,217	3,363	2,534	2,691	3,070	9.0
Investment							
Private	1,459	1,660	1,609	1,750	2,140	2,062	7.2
Public	693	796	1,155	1,170	1,438	1,560	17.6
Change in stock	+ 315	-105	- 55	+ 195	+ 515	-442	-
GNP	12,155	13,005	13,793	15,437	16,734	17,146	7.1
Surplus on goods & services account	205	567	723	1,124	700	1,860	-

Source: Third Malaysia Plan, Table 2.2

Table 5.1.8. Federal Government Revenue, 1971-74

	(M\$'000)			
	1971	1972	1973	1974 (revised estimates)
Tax revenue	2,081,221	2,394,176	3,045,491	3,974,845
Non-tax revenue	335,688	525,103	361,744	409,898
Total Federal revenue	2,416,909	2,919,279	3,407,235	4,400,222*

\* Including revenue from the territory of Kuala Lumpur

Source: Annual Statistical Bulletin, 1974, Department of Statistics, Kuala Lumpur, 1975, Table 8.1

Table 5.1.9 Public Sector Finance, 1966-80

	(M\$ million)		
	1966-70	1971-75*	1976-80*
Government revenue	11,656	21,700	43,300
Govt. current expenditure	10,266	20,800	42,500
Govt. current surplus	1,390	900	800
Public authorities current surplus	340	800	900
Public sector surplus	1,730	1,700	1,700
Public sector development expenditure	4,242	9,820	18,555
Overall deficit	- 2,512	- 8,120	- 16,855

\* Estimated

Note: Figures for East and West Malaysia

Source: Economic Planning Unit, Prime Minister's Office, Second Malaysia Plan, Kuala Lumpur, 1971, Table 2.9 and Third Malaysia Plan, Table 12.4

Table 5.1.10 Federal Government Current Expenditure, 1971-74

	(M\$'000)			
	1971	1972	1973	1974*
Defence & security	621,320	808,196	950,700	944,980
Medical and health	109,096	233,773	254,082	290,540
Social welfare	16,734	7,888	10,129	12,500
Education	536,248	797,999	804,351	873,516
Public works	43,804	46,767	50,131	61,605
Posts	34,343	36,036	41,283	44,849
Grants to states	166,851	193,874	189,982	139,274
Refunds	40,300	49,861	49,008	68,376
Payments on loans	300,427	349,178	437,580	458,180
Sinking fund contributions	37,326	32,460	30,048	24,700
Pension & gratuities	98,015	124,214	128,299	126,420
Statutory fund contributions	44,050	102,090	59,078	75,020
General administration	309,521	343,571	391,009	539,010
<b>Total Federal expenditure</b>	<b>2,458,035</b>	<b>3,125,907</b>	<b>3,396,280</b>	<b>3,658,970</b>

\* Revised estimates

Note: Figures for East and West Malaysia

Source: Annual Statistical Bulletin, 1974, op. cit., Table 8.2.Table 5.1.11 Public Development Expenditure, 1966-75

	(M\$ million)					
	West Malaysia	1966-70* Total	%	West Malaysia	1971-75† Total	%
Economic	2,210	2,685	63.3	3,898	4,870	67.2
Agriculture & rural development	911	1,114	26.3	1,570	1,920	26.5
Mineral resources development	0.4	0.7		0.5	0.6	
Commerce & industry	137	141	3.3	564	583	8
Feasibility studies				23	30	0.4
Transport	355	544	12.8	794	1,188	16.4
Communications	159	203	4.8	287	400	5.5
Utilities	646	681	16.1	657	747	10.3
Social	644	752	17.7	836	1,067	14.7
Education & training	286	329	7.8	458	537	7.4
Health & family planning	114	146	3.5	171	213	2.9
Social & community services	243	276	6.5	206	316	4.4
General administration	109	138	3.3	139	211	2.9
Security	645	666	15.7	994	1,100	15.2
<b>Total</b>	<b>3,610</b>	<b>4,242</b>		<b>5,868</b>	<b>7,250</b>	

\* Estimated

† Allocation

Source: Second Malaysia Plan, Table 5.1.

## II. EMPLOYMENT AND INCOME DISTRIBUTION

### 1. Employment

After the Second World War, the majority of workers in the then Federation of Malaya were employed in the primary sector, with the rest in manufacturing and various kinds of services. Since the early 1950s, the number of workers working in farms or in estates has dwindled and in 1970, they accounted for only over half of the total working force; on the other hand, those working in the secondary sector have increased from 7.4 per cent of the total labour force in 1947 to 12.7 per cent in 1970 (Table 5.2.1). Notwithstanding the increase in employment in the secondary and tertiary sectors, the Malaysian society is still pre-dominantly agricultural in nature. The 1970 Population and Housing Census revealed that only 252,000 workers were employed in manufacturing, accounting for less than ten per cent of the total labour force, while those employed in the primary sector numbered 1,300,000 (Table 5.2.2). When this is considered together with the fact that about 70 per cent of the population are still living in the countryside, it is evident that the majority of workers in Malaysia are village folks whose livelihood depends on working in farms or estates. In terms of sex, the labour force in Malaysia is made up of about 70 per cent males and 30 per cent females; and the participation rate of males in the urban areas is slightly higher than in the rural areas.

In 1970, the labour force was made up of about 55 per cent Malays and other indigenous people, 33.8 per cent Chinese and 9.1 per cent Indians. In West Malaysia, Malays are mostly found in rural areas, employed in low-income activities while non-Malays reside mostly in urban areas or estates, employed as shopkeepers, restaurant workers or factory hands. This disparity between the racial composition and the employment pattern, together with the fact that Malays are holding only a negligible percentage of the corporate stocks, has aroused considerably concern inside the Government. The New Economic Policy pronounced in 1970 thus set its targets at the ownership and management by Malays and other indigenous people of at least 30 per cent of commercial and industrial activities in the economy; and an employment structure at all levels of operation and management that reflects the racial composition of the nation. In order to achieve the above targets, the Government has established,

on the one hand, a number of programmes and projects such as the Majlis Amanah Rakyat (MARA), Perbadanan Nasional (PERNAS), Urban Development Authority (UDA), Bank Bumiputra and Bank Pembangunan, aiming at creating and acquiring corporate stocks for subsequent sale to the Malays and, on the other hand, facilities to provide training and educational opportunities for Malays so that they can fit into jobs requiring a higher level of skill.<sup>13</sup> It is estimated that during the period of the Second Malaysia Plan, 1971–75, the percentage of Malays employed in manufacturing has already slightly increased from 28.9 per cent in 1970 to 33.1 per cent in 1975;<sup>14</sup> the situation of Malay employment in services and construction has also improved. However, it will be sometime before the employment pattern at all levels and in all sectors could truly reflect the racial composition of the population as stipulated in the New Economic Policy. At the same time, some fears have already been expressed by the non-Malays who see themselves as being jeopardised while economic growth may also be adversely affected. Thus, while the goal to modify the present employment pattern so that it may truly reflect the racial composition of the population is laudable, measures to accomplish it is not without pitfalls and problems.

## 2. Unemployment

The rate of unemployment in West Malaysia since 1957 has remained at around seven to eight per cent but since population grew at about three per cent per annum during the same period, the employment situation has in fact improved. A survey conducted by the Department of Statistics and the Ministry of Labour and Social Welfare reported that in 1962, approximately 148,000 or six per cent of the labour force in West Malaysia were unemployed.<sup>15</sup> A closer look revealed that unemployment is most widespread among the younger age groups: a socio-economic sample survey of household of West Malaysia in 1967–68 reported that the rate of unemployment for the youngest age group was more than 30 per cent, of which more than 90 per cent had in fact never worked before.

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<sup>13</sup> See TMP, p. 190.

<sup>14</sup> Ibid., p. 32.

<sup>15</sup> Economic Planning Unit, Prime Minister's Office, Interim Review of the Second Five-Year-Plan, Government Press, Kuala Lumpur, 1963, p. 8.

The solution for the problem of unemployment is therefore to find enough jobs for school-leavers. The unemployment rate reported by the Third Malaysia Plan declined slightly from 7.4 per cent in 1970 to seven per cent in 1975 but it was envisaged that if population in Malaysia should continue to grow at over two per cent per annum, the unemployment rate would probably be not very much reduced.<sup>16</sup>

While unemployment in West Malaysia is largely a structural problem since it is directly related to the rapid population growth, it is also a social and political problem in that the unemployed are unevenly distributed among the different racial groups. The incidence of unemployment in the 1960s was highest among the Malays and Indians and was lowest among the Chinese. In 1970, unemployment rates for the three racial groups of Malays, Chinese and Indians were 8.1 per cent, 7 per cent and 11 per cent respectively. Employment for the Malays has slightly improved during the period of the Second Malaysia Plan and in 1975, the number of unemployed, as a percentage of the Malay labour force, was lowest among the three racial groups (Table 5.2.3). The employment situations of the other two racial groups have, on the other hand, worsened during the same period. However, despite the decrease in the number of unemployed Malays, they still made up the largest group of unemployed persons in the metropolitan towns. Thus, the unemployment problem in West Malaysia needs not only to reduce the rate but also to maintain an acceptable balance of employment opportunities between the different racial groups.

### 3. Income Distribution and Poverty

The income distribution pattern in West Malaysia is determined by the fact that about 60 per cent of the workers are found in the traditional sector, living in the rural areas and receiving low incomes. Donald R. Snodgrass estimated the ratio between rural and urban incomes in West Malaysia to be about 1:2 to 1:2.5.<sup>17</sup> The generally higher urban household income was partly attributed to the comparatively higher number of earners per household in the urban areas than in the rural areas.<sup>18</sup>

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<sup>16</sup> The SMP estimated the unemployment rate for West Malaysia in 1970 to be eight per cent of the labour force. See, also, TMP, p. 27.

<sup>17</sup> Ronald R. Snodgrass, The Distribution of Household Income in West Malaysia: An Interim Report on Sources and Issues, mimeographed, Kuala Lumpur, 1972, p.14.

<sup>18</sup> See Department of Statistics, Socio-Economic Sample Survey of Households: Employment and Unemployment, West Malaysia, 1967-68, Kuala Lumpur.

The 1970 Population and Housing Census confirmed the income disparity between rural and urban households and reported 34 per cent of household in the rural areas were receiving monthly incomes below M\$100 in 1970 and the mean monthly income of rural households was less than half the mean income of urban households. As regards other aspects of income distribution in West Malaysia, the 1970 Census reported that (1) the mean household income was M\$269 per month; (2) 27 per cent of households were receiving incomes below M\$100 per month; (3) 31 per cent had incomes between M\$100 and M\$200; (4) the top ten per cent accounted for nearly 40 per cent while 2/5 of the households got only 12 per cent of the total income. Incomes in West Malaysia are thus unevenly distributed and the disparity is generally more pronounced among the Malays than among the two other racial groups (Table 5.2.4). While most Malay households were concentrated in the less than M\$100 per month income group, Chinese households were more evenly distributed with approximately 38 per cent in the M\$200 to M\$400 range. As for Indians, 41 per cent were receiving monthly incomes of between M\$100 to M\$200 in 1970 (Table 5.2.5).

Income imbalance in West Malaysia does not only exist between rural and urban households and between different racial groups, but also between different occupation sectors. On average, those employed in manufacturing are usually receiving more than the agricultural workers and income level on the West coast is, in general, higher than on the East and the North. Fixed assets, like incomes, are also unevenly distributed in West Malaysia: over 80 per cent of the total fixed assets in the industrial sector in 1970 were held by corporate entities mostly owned by foreign investors. In the non-corporate industrial sector, the ownership distribution was as follows: Chinese 92.2 per cent, Malays 2.3 per cent and Indians 2.3 per cent (Table 5.2.6).<sup>19</sup> Thus, a small number of corporations or persons in West Malaysia is accounting for the major proportion of wealth and incomes. To redress this imbalance, the New Economic Policy has set a target for Malays, often the lowest income group, to own at least 30 per cent of commercial and industrial activities in the economy by 1990.

Although West Malaysia has achieved a living standard higher than most countries in the Southeast Asian region, poverty still exists for more than half of the total population. If household incomes were assessed according to level of a minimum food market basket required to maintain a family in good

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<sup>19</sup> TMP, p. 6.

nutritional health plus a figure for the minimum conventional needs in respect of clothing, household management and transport, the Third Malaysia Plan estimated that about 792,000 or 49 per cent of the 1.6 million households in 1970 were receiving an income below this level. Out of the total income, this group accounted for less than 18 per cent.<sup>20</sup> Furthermore, it should be noted that poor households in West Malaysia were not evenly distributed among the different racial groups: Malays accounted for 73.8 per cent of the total, while Chinese and Indians accounted for 17.2 per cent and 7.9 per cent respectively (Table 5.2.7). On the other hand, if poor households are classified according to occupations of heads of households, the incidence of poverty in 1970 was highest among farmers and farm workers (Table 5.2.8). In fact, it was estimated that more than 68 per cent of households engaged in agriculture were found in poverty in 1970.<sup>21</sup>

Unemployment and poverty has been officially denounced as an affront to human dignity and the Second Malaysia Plan states:

It is based on the fundamental premise that unemployment and poverty, especially in a relatively affluent society like that of Malaysia, is an affront to human dignity and that racial imbalances in the opportunities to participate in the economic life of the country have the seeds for social and political tensions.<sup>22</sup>

Poverty in Malaysia has been seen as being closely tied up with racial imbalance and is therefore a much more complicated issue than just a question of raising the living standard. Efforts to improve conditions of poor households may be suspected as favouring a specific racial group. On the other hand, as most poor households are found among the Malays, they may sometimes have an unrealistic expectation of the obligation of the Malaysian Government to improve their conditions which, if not attained, may produce a lot of frustration and discontentment. The eradication of poverty would be a subject for discussion when the whole social security system is examined in a later section. It suffices to point out here that poverty in West Malaysia is not a simple matter of insufficient incomes or the absence of resources to support a basic living; it is closely linked with the problem of the unequal distribution of opportunities between the different racial groups and between cities and villages and must be perceived in this light.

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<sup>20</sup> Ibid., p. 5.

<sup>21</sup> Ibid., p. 161.

<sup>22</sup> SMP, p. 61.

Table 5.2.1 Distribution of Employment for Selected Years

	(Percentage)					
	1947	1957	1962	1965	1967-8	1970
Primary	68.7	61.3	56.7	52.7	54.7	51.7
Secondary	7.4	9.6	8.8	13.2	12.4	12.7
Tertiary	23.7	29.1	24.5	34.1	32.9	35.6

Sources: Department of Statistics, Census of Population of the Federation of Malaya, 1957, Report No. 14, p. 31; Report on Employment, Unemployment and Underemployment in the Federation of Malaya, 1962; Socio-Economic Sample Survey of Households: Employment and Unemployment, West Malaysia, 1967-8; Economic Planning Unit, Mid-term Review of the First Malaysia Plan; Second Malaysia Plan, 1971-75.

Table 5.2.2 Labour Force by Industry, 1970

	('000)					
	Males		Females		Total	
	Number	%	Number	%	Number	%
Agriculture, forestry hunting & fishing	402.5	21.4	208.8	24.3	611.3	22.3
Agricultural products requiring processing	450.9	24.0	296.9	34.6	747.8	27.3
Mining & quarrying	48.2	2.6	7.1	0.8	55.3	2.0
Manufacturing	178.9	9.5	73.1	8.5	252.0	9.2
Construction	55.6	3.0	4.2	0.5	50.8	2.2
Electricity, gas, water & sanitation	18.7	1.0	1.0	0.1	19.7	0.7
Commerce	225.0	12.0	49.6	5.8	274.6	10.0
Transport, storage & communication	93.9	5.0	4.1	0.5	98.0	3.6
Services	330.1	17.7	140.5	16.4	472.6	17.3
Industry not adequately described	71.9	3.8	73.3	8.5	145.2	5.3
Labour force	1,877.7	100.0	858.6	100.0	2,736.0	100.0
Looking for first job	80.6		54.0		134.6	
Total	1,958.3		912.6		2,870.9	

Source: Population and Housing Census, 1970, Department of Statistics, Kuala Lumpur.



Table 5.2.3 Unemployment in Malaysia

	Malays		Chinese		Indians	
	%	Number	%	Number	%	Number
1970	8.1	126,400	7.0	77,300	11.0	36,800
1975	6.9	128,300	7.2	93,800	12.2	47,300

Source: Third Malaysia Plan, p. 188

Table 6.2.4 Percentage Distribution of Households by Income and Race, 1970

Income per month M\$	Malay	Chinese	Indians	Other	Total
1-99	22.9	2.6	1.3	0.2	27.1
100-199	19.1	7.8	4.4	0.1	31.4
200-399	10.4	11.9	3.5	0.1	25.9
400-699	3.0	5.3	1.2	0.1	9.6
700-1499	1.1	2.9	0.6	0.1	4.7
1500-2999	0.2	0.7	0.1	0.1	1.1
3000 & above	—	0.1	0.1	0.1	0.3
Total	56.7	31.3	11.2	0.8	100.0

Source: Mid-term Review of the Second Malaysia Plan, 1971-75, Table 1.1.

Table 5.2.5 Mean Household Income, 1970

	(M\$ per month)
Malay	172
Chinese	394
Indian	304
Other	813
Rural average	200
Urban average	428
All households	264

Source: Third Malaysia Plan, Table 9.5.

Table 5.2.6 Ownership of Assets, 1970

	Modern agriculture				Industry*			
	Corporate sector		Non-corporate sector		Corporate sector		Non-corporate sector	
	'000 acres	%	'000 acres	%	M\$ million	%	M\$ million	%
Malaysians	515.0	29.2	697.6	94.1	559.7	42.8	167.2	97.6
Malay	5.0	0.3	349.3	47.1	11.2	0.9	3.9	2.3
Chinese	457.0	25.9	243.3	32.8	342.3	26.2	158.0	92.2
Indians	4.9	0.3	74.8	10.1	1.5	0.1	3.9	2.3
Other	48.1	2.7	13.2	1.8	187.2	14.3	1.4	0.8
Government	—	—	17.0	2.3	17.5	1.3	—	—
Non-Malaysians	1,249.6	70.8	44.0	5.9	747.3	57.2	4.1	2.4
	1,764.6	100.0	741.6	100.0	1,307.0	100.0	171.3	100.0

\* Covers manufacturing, construction and mining.

Source: Second Malaysia Plan, Table 1.4.

Table 5.2.7 Households in Poverty by Race, 1970

	All households ( <sup>'000</sup> )	Households in poverty ( <sup>'000</sup> )	Poverty incidence %	% of total households in poverty
Malay	901.5	584.2	64.8	73.8
Chinese	525.2	136.3	26.0	17.2
Indian	160.5	62.9	39.2	7.9
Other	18.8	8.4	44.8	1.1
Total	1,606.0	791.8	49.3	100.0
All rural	1,166.7	683.7	58.6	86.3
All urban	439.3	108.1	24.6	13.7

Source: Third Malaysia Plan, Table 9.6.

Table 5.2.8 Households in Poverty by Occupation, 1970

	Total %	Urban %	Rural %
Farmers	76.4	57.3	77.0
Farm workers	63.8	47.9	64.7
Production	36.0	27.8	42.5
Sales	30.5	19.6	41.1
Services	27.0	23.6	30.5
Professional/technical	10.6	6.0	14.6
Administrative/managerial	9.5	2.4	15.4
Clerical	10.7	8.5	14.2
All occupations	49.3	24.6	58.6

Source: Third Malaysia Plan, Table 9.2.

### III. SOCIAL SERVICES AND LABOUR LEGISLATIONS

#### 1. Social Services

Of the different types of social services in West Malaysia, education and health services are the major concern of the Government; together, they accounted for not less than one third of the total current Government expenditure in 1974. West Malaysia has since the early 1960s been successful in eliminating the occurrence of epidemics and greatly reducing illiteracy. In general, West Malaysia could be proud of its achievements in social services provisions though there is still much to be desired especially in the areas of low-cost housing and social welfare services.

#### Education

Since the early 1960s, free primary education has been made available in West Malaysia; the Second Five-Year Plan, 1961–65, reported that in 1960, the number of pupils attending primary schools represented about 95 per cent of the estimated primary age-group, i.e. those aged 6 to 11.<sup>23</sup> It was an objective of the First Malaysia Plan to extend basic education by three more years of lower secondary education. This aim has largely been achieved in the early 1970s and now primary school graduates are automatically promoted to follow a comprehensive lower secondary school education for three years.<sup>24</sup> Enrolments in primary, lower secondary, and upper secondary schools in 1975 were reported to be 1,586,909, 561,471 and 153,415 respectively (Table 5.3.1).

The general improvement in the educational attainment of the population in West Malaysia has resulted in an increasing number of highly qualified entrants into the labour force. The share of school leavers with six or more years of formal education in the labour force reached over 30 per cent in 1975 as compared to 14 per cent in 1957. However, there is still a general shortage of workers with a technical education background although the First Malaysia Plan has emphasized a shift towards a better balance between general academic education and vocational, technical and science education. In 1974, there were only about 7,500 students in secondary vocational schools and about 4,000 in secondary technical schools.

<sup>23</sup> Federation of Malaya, Second Five-Year Plan, 1961–65, Kuala Lumpur, 1961, p.12.

<sup>24</sup> Department of Information, Malaysia Yearbook, 1974, Kuala Lumpur, 1975, p.338.

### Medical and Health Services

The development of the rural health service has been the main thrust of the Government in health care provision in recent years. The arrangement is to divide West Malaysia into health districts with populations of about 50,000 to 100,000, each having one main health centre, 4 health sub-centres and 20 midwives clinics. In 1975, there were altogether 73 main health centres, 246 health sub-centres, and 1,282 midwives clinics functioning in the eleven states of West Malaysia (Table 5.3.2). However, these facilities were not evenly distributed as the number of main health centres in different states varied greatly from only one or two to over 15. The pattern of distribution of health facilities is thus a more immediate concern of health care provision in West Malaysia than an increase in numbers.

### Housing

The provision of low-cost housing has been a concern of local governments. The main function of the Housing Division of the Ministry of Local Government and Housing of the Federal Government, created in 1974, is to consider public housing proposals from state governments and to provide loan funds and technical assistance to enable them to implement approved schemes. The Ministry is also responsible for the licensing of private housing developers to ensure a constant supply of housing in the private market. Public housing in West Malaysia is provided for households with monthly incomes of less than M\$200. During the period of the First Malaysia Plan, the expenditure on public housing amounted to M\$65 million; this was slightly increased to M\$80 million for the period of the Second Malaysia Plan (Table 5.3.3). And with more villagers moving to live in towns and cities, the demand for public housing would increase. However, Kuala Lumpur and other state capitals in West Malaysia are so far spared the congestion and squalor that are so characteristic of most large cities in Southeast Asia.

### Social Welfare

Social welfare services in West Malaysia have traditionally been provided by charitable organisations; a Department of Social Welfare was established in 1946 mainly as a co-ordinating body. The function of the Department of

Social Welfare has not been very much enlarged and is presently still confined to providing a limited service to distressed families and handicapped persons and running a few centres and homes for delinquents and others in need of care and protection. On the other hand, voluntary welfare agencies continue to play an important role although their functions have been diminished as a result of the shortage of funds.

Under the present arrangement, the Federal Government is responsible for such services as the probation and approved school services, services for children, handicapped persons, youth and training of staff while public assistance is financed and administered by local governments.<sup>25</sup> Social welfare in West Malaysia is still not much developed, accounting for a very negligible proportion of the current Government expenditure.

## 2. Labour Legislations

Like other developing countries in the Southeast Asian region with a large rural population, wage employment is only a recent phenomenon in West Malaysia. The 1970 Population and Housing Census reported that of the 2,736,355 working members in West Malaysia, self-employed and unpaid family workers accounted for almost half, or 45 per cent, while employees for the other half (Table 5.3.4). As only about 30 per cent of the population in West Malaysia are living in the urban areas where wage employment is more common, the majority of those living in the rural areas are most self-employed or are working for their families as unpaid workers. Labour legislations in West Malaysia thus protect or benefit mainly those working in factories, large estates or commercial firms in urban areas.

A number of labour legislations in West Malaysia, such as the Workmen's Compensation Ordinance, were enacted before the Independence; others were approved recently. Besides those labour legislations presently administered by the Social Security Organisation including the Employment Injury Insurance Scheme and the Invalidity Pension Scheme which would be later discussed, the rest are mostly included in the Employment Ordinance. There is no regulation in West Malaysia regarding the age under which children are not allowed to be employed but the Children and Young Persons (Employment) Act, 1966 stipulates the types

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<sup>25</sup> See Ministry of Welfare Services, Social Welfare Services in Malaysia, Kuala Lumpur, 1970.

of employment in which they may be engaged and restricts a child under the age of 15 to work between certain hours. As regards female workers in industrial and agricultural undertakings, the Employment Ordinance, 1955, forbids them except in a few approved situations to be employed between 10.00 a.m. and 5.00 a.m. The Employment Ordinance also contains, regarding workers earning up to M\$500 per month, provisions relating to hours of work, rest days, holidays and other conditions of employment. In summary, the Ordinance restricts overtime work to 32 hours per month and prescribes payment for overtime work at not less than one-and-a-half times the 'hourly rate of pay'. A worker is entitled to one rest day each week and if he works at the request of his employer, he must be paid an extra day's wage in addition to his ordinary rate of pay for that day. The Employment Ordinance also provides for every worker 5 paid holidays and if he is required by his employer to work on any holiday, he must be paid an extra day's wage. In addition to paid holidays, a worker is also entitled to annual leave which is fixed at 7 days for every 12 months' continuous service for one who has worked for his employer for less than 5 years and 14 days for one who has worked for 5 years or more. There are also generous provisions regarding sick leave which is paid at ordinary rate pay for a maximum period of 60 days per annum to a worker if hospitalization is necessary, or 14 days per annum if hospitalization is not necessary. The employer is also responsible for the medical expenses of his workers though such attention must be received at a Government medical clinic or an employer-appointed medical practitioner. A female worker is entitled to abstain from work for 30 consecutive days before and after her confinement. However, she is only entitled to receive from her employer maternity allowance at the rate of M\$3.00 per day for the period of such abstention from work. The maximum allowance payable will thus be M\$180. Where a female worker does not abstain from work before her confinement, she is entitled to the allowance in respect of the period of 7 days immediately preceding her confinement.

There are other regulations regarding the termination of contract of service and wage payments and compared with other countries in Southeast Asia, workers in West Malaysia are enjoying comparatively more protection and benefits than their counterparts elsewhere. On the whole, labour legislations are quite vigorously enforced by Federal and state governments, though cases of abuse are uncommon. In 1972, 296 employers were prosecuted for failure to comply with the Employment Ordinance in giving their workers weekly holidays.<sup>26</sup>

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<sup>26</sup> Ministry of Labour and Manpower, Annual Report for the Year 1972, Kuala Lumpur, 1974, p.12.

It is noteworthy that benefits at present enjoyed by workers under the Employment Ordinance are seldom the result of trade union agitations; they are mostly enacted at the initiation of the Government.<sup>27</sup> The trade union movement in West Malaysia is still weak in organisation; paid-up membership of all trade unions in 1972 represented less than 1/4 of the number of wage earners. In fact, 116 of the 239 employees' unions, or 48.5 per cent, in 1972 were unions of workmen employed by Government and their members made up about 33 per cent of the total membership of all employees' unions (Table 5.3.5). Because of the weakness of the trade unions, strikes seldom occur. In 1972, only 66 strikes involving 9,701 workers with a loss of 33,455 man-days were reported and most of them were over wages and conditions of employment.<sup>28</sup>

Table 5.3.1 School Enrolments, 1975

	1970	1975	1980 (target)
Primary	1,421,469	1,586,909	1,815,600
Lower secondary	378,535	561,471	676,100
Upper secondary	84,925	153,415	241,900
Post secondary	10,619	16,335	35,970

Source. Third Malaysia Plan, Table 22.1.

Table 5.3.2 Availability of Rural Health Facilities, 1975

State	Main health centre	Health sub-centre	Midwives clinic
Perlis	1	6	28
Kedah	7	28	160
Penang	3	10	56
Perak	12	43	172
Selangor	9	28	133
Negrisembilan	2	17	85
Malacca	4	13	65
Jahor	15	38	225
Pahang	8	25	166
Trengganu	4	14	76
Kelantan	8	24	116
	73	246	1,282

Source: Third Malaysia Plan, Table 23.2

<sup>27</sup> Labour unions in West Malaysia have as a general rule not been aggressive and the degree of organisation in most occupations outside the plantation sector is low by international standards. See Wolfgang Kasper, op.cit., p. 25.

<sup>28</sup> Ministry of Labour and Manpower, Annual Report for the Year 1972, p. 24.

Table 5.3.3 Housing Performance, 1971-75

	units
Public sector	86,076
Ministry of Housing and Village Development schemes	13,244
Other Federal housing projects	41,965
Federal institutional quarters	24,240
State projects	6,627
Private sector	173,734
Private developers	64,862
Co-operative societies and industries	108,872

Source: Third Malaysia Plan, Table 19.4

Table 5.3.4 Occupational Status of Persons 10 Years and Above, 1970

	Total		Males		Females	
	No.	%	No.	%	No.	%
Employer	112,747	4.1	89,210	4.7	23,537	2.7
Self-employed	779,739	28.5	605,033	32.2	174,706	20.3
Employee	1,380,947	50.5	996,647	53.1	384,300	44.8
Unpaid family workers	462,922	16.9	186,856	16.9	276,066	32.2
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	2,736,355		1,877,746		858,609	

Source: Statistical Handbook, 1974, Table 22.1.

Table 5.3.5 Trade Union Membership 1972

No. of members	No. of unions	As at December 31, 1972.	
		Total membership	%
Under 100	69	3,267	1.10
100-200	34	4,743	1.60
201-500	44	14,098	4.75
501-1000	24	17,082	5.75
1001-2000	40	54,756	18.45
2001-5000	18	53,544	18.04
5001-10000	8	54,424	18.34
Above 10000	1	94,309	31.77
Employers' unions	14	559	0.20
	<hr/>	<hr/>	<hr/>
	252	296,782	100.00

Source: Ministry of Labour and Manpower, Annual Report for the Year 1972, Kuala Lumpur, p. 52.



#### IV. EXISTING SOCIAL SECURITY PROVISIONS IN WEST MALAYSIA

Social security in West Malaysia may be summarised as comprising the following schemes: (1) public assistance; (2) the Employment Injury Insurance Scheme; (3) the Invalidity Pension Scheme; and (4) the Employees' Provident Fund. While public assistance is the responsibility of state governments, the Employment Injury Insurance Scheme and the Invalidity Pension Scheme are presently administered by the Social Security Organisation of the Ministry of Labour and Manpower and the Employees' Provident Fund has since its inception in 1952 been operated by the Ministry of Finance.

##### 1. Public Assistance

The provision of public assistance has traditionally been the responsibility of state governments but guidelines regarding its operation has from time to time been issued by the Ministry of Welfare Services of the Federal Government. There is thus no statutory scheme for the general relief of destitution in West Malaysia and what little assistance given to the destitute is largely dependent upon the resources of individual states. The usual practice is for a state government to make a general financial allocation under the title of 'general relief' which is then used to alleviate the distress of the needy and destitute and victims of natural disasters. The provision of public assistance in West Malaysia is not mere cash payments as it always contains an element of family casework, i.e. the objective is to assist families to be independent again. In some states, institutional care for the destitute may also be regarded as part of the public assistance programme. Since 1974, financial aid to school children in purchasing textbooks and the cost of skill training for employment are often provided under public assistance (Table 5.4.1).

Though minimum scales regarding public assistance payments have been laid down by the Ministry of Welfare Services to serve as guidelines for the states, they are seldom followed. The states with the greatest number of needy persons may often find it the most difficult to implement comprehensive public assistance programmes as they are least able to generate employment opportunities and thus the necessary revenue. Other states, while trying to cover the different categories of needy persons may spread out their resources so thin that scales of public assistance are unrelated to the needs of the recipients. In 1973, public

assistance given by the 11 states in West Malaysia to 214,271 cases amounted to M\$4,619,433, the average amount being M\$21.50 per case. This was certainly inadequate for supporting a family in want, even though cases may consist of only one member.

In view of the inadequacy of the public assistance programmes existing in the various states, the Ministry of Welfare Services initiated a number of special assistance schemes in 1973. These schemes included Aid to Needy Children, Aid to Needy Aged, Grants for Artificial Limbs and Appliances, Disability Allowances, Sales Organisations, Launching Grants, and Aid to Dependents of Detainees.<sup>29</sup> The two most important of these are the Aid to Needy Children and the Aid to Needy Aged schemes and they accounted for M\$250,724 and M\$160,000 respectively in 1974. This proliferation of specific schemes is, however, not without problems: not only do states tend to shift their responsibilities of providing for the destitute to the Federal Government, but confusion has also been created as the eligibility criteria vary with different schemes. Efforts are now being made by the Ministry of Welfare Services to streamline the system, especially in establishing the basic rates of assistance, and to determine the shares that should be borne by the Federal and state governments. The difficulties the Ministry faces in inaugurating a unitary public assistance system are that: (1) the states vary greatly in resources and in their abilities to provide for the destitute within their own jurisdictions; and (2) poverty is more widespread in some states than in others and it is so often associated with certain occupations and ethnic groups that its alleviation requires more than just providing the destitute with the minimum living requirements.

## 2. Employment Injury Insurance Scheme and Invalidity Pension Scheme

The Employees' Social Security Act was passed in 1969 to replace the Workmen's Compensation Ordinance which was first enacted in 1952 to provide compensation for workers injured in industrial accidents or contracting prescribed occupational diseases or their dependents. The main difference between the Workmen's Compensation Ordinance and the Employees' Social Security Act is that in the former the liability to compensate the workers or their dependents is with

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<sup>29</sup> See a special paper prepared by the Department of Social Welfare, Ministry of Welfare Services, A Joint State and Federal Government Public Assistance Programme, unpublished, 1976.

the employers while in the latter the social insurance principle is adopted. The Employment Injury Insurance Scheme (EIIS) introduced under the Employees' Social Security Act was first implemented in 1971 and followed in 1974 by the Invalidity Pension Scheme (IPS). The Social Security Organisation, a department for the administration of the Act, is at present studying the feasibility of introducing new schemes to cover the contingencies of sickness, maternity, old age and survivorship, and of extending the coverage of the schemes to include farmers, fishermen and other rural agricultural workers presently excluded.<sup>30</sup>

Except the few categories of persons listed above and public employees, the Employees' Social Security Act applies to practically all industries or work establishments employing four employees and above who are earning M\$500 or less per month.<sup>31</sup> At the end of 1975, the total number of employers and employees registered with the Social Security Organisation throughout Malaysia amounted to 19,603 and 645,933 respectively (Table 6.4.2).<sup>32</sup> Although the number of employees covered still represented only half the total number of wage earners in West Malaysia, in view of the short period in which the two new schemes have been operative, the coverage could be described as satisfactory.

For the purpose of payment of contributions to the two schemes, employees are divided into nine wage classes with rates of contribution varying from 30 cents to M\$5.60 for the EIIS and from 20 cents to M\$4.50 for the IPS.<sup>33</sup> In case of the EIIS, only the employer is liable for contributions while in the IPS, contributions come from both the employer and the employee. The payment of contributions is made by affixing stamps on contribution cards but collection in the form of a payroll tax is now being considered.

Benefits provided under the EIIS include temporary disablement benefit, permanent disablement benefit, dependents' benefit, constant attendance allowance, funeral grant and medical care. Temporary disablement benefit is paid to an insured injured worker at 60 per cent of his average daily earnings throughout the period of temporary disablement. Certificates by an Insurance Medical Practitioner on the panel of the Social Security Organisation is necessary. The worker has also to wait for four days before benefit is payable, but if the disablement lasts for more than 14 days, it is then dated back to the first day. If the employment

<sup>30</sup> See Social Security Organisation, Annual Report for the Year 1975, Kuala Lumpur, 1976, p.2.

<sup>31</sup> Ibid., p. 4.

<sup>32</sup> Ibid., p. 3.

<sup>33</sup> For example, in the Employment Injury Insurance Scheme, the employer pays 50 cents in respect of an employee whose monthly wages range between M\$30 and M\$50, and in the Invalidity Pension Scheme, the employer contributes 10 cents for a worker whose monthly wages are up to M\$30 and a similar amount which is redeemable from his wages on his behalf.

injury results in permanent disablement, the injured worker would be paid either a monthly pension for life, in the case of a 100 per cent loss of earning capacity as assessed by a Medical Board, at 60 per cent of his average daily earnings, or a pension as proportionate to the degree of the loss of earning capacity. In addition, a constant attendance allowance, at 18 per cent of the average daily earnings is payable if by reason of an employment injury, an injured worker has suffered permanent total disablement and remains to be so severely incapacitated as to constantly require the personal attention of another person. Where an insured worker dies of an employment injury, dependents' benefit is payable to his widow for life till marriage and his children till they reach 14 years of age, or 16 if continuing education. The total benefit is at 60 per cent of the average earnings of the deceased. In case the deceased does not leave a widow or children, his dependents, be they his parents or grand parents would then be eligible for benefits, the total amount being fixed at 30 per cent of the average earnings of the insured. In all cases of employment injury, medical care is provided for the insured through a system of panel doctors and Government hospitals. This includes ward charges, operation fees and all other expenses including artificial limbs and prosthetic appliances. A funeral grant of M\$100 or the actual expenses of the funeral, whichever is less, is also payable to the eldest surviving member of the family of an insured worker who dies as a result of an employment injury.

Benefits provided under the IPS include invalidity pension, invalidity grant, constant attendance allowance, and rehabilitation facilities. These benefits are granted to the insured who have contributed for at least 36 months and who are below 55 years of age in cases of invalidity arising out of a non-occupational nature. The rate of invalidity pension is calculated according to the period for which an insured has paid his contributions and varies from 25 per cent to 65 per cent of his average monthly earnings; the pension is payable throughout the duration of the pensioner's invalidity or until death. For those who have paid contributions for 12 months or more but less than 36 months, a grant is payable equivalent to the amount of contributions together with interests accrued. In addition, a constant attendance allowance is payable monthly to a certified invalid who is eligible for invalidity pension at the rate of 30 per cent of such pension so long as he remains so severely incapacitated as to require the personal attendance of another person. Besides, artificial limbs, prosthetic appliances and vocational training facilities are supplied.

Both the EIIS and the IPS is at present administered by over 30 local offices of the Social Security Organisation. A Social Security Council consisting of representatives of the Ministry of Labour and Manpower, employers, employees and the medical profession has been established to oversee the operation of the schemes. In addition, a Social Security Appellate Board has been instituted to adjudicate matters referred to it under the Social Security Act. And an inspection programme has been introduced by the Social Security Organisation to ensure that provisions of the Social Security Act are complied with by registered establishments. The number of employees registered under the EIIS has increased from 24,707 in 1971 when the Scheme was first operative to 562,407 at the end of 1975, while employees registered under the IPS totalled 537,657 in 1974. The amount of contributions collected and cash benefits paid under the EIIS have both increased; figures for 1975 were M\$22,460,002 and M\$553,353 respectively (Table 5.4.3). Of all the cash benefits paid under the EIIS, temporary disability benefits was the major item, followed by permanent disability benefits and dependents' benefits (Table 5.4.4).

### 3. Employees' Provident Fund

The Employees' Provident Fund, first enacted in 1951, came into force in July 1952. At first, coverage was limited to employees 16 years old and over earning not more than M\$400 per month,<sup>34</sup> but now practically all employed workers in West Malaysia are covered; those excluded are public employees, people who were already members of equivalent or better private plans before December 1970 and fishermen.<sup>35</sup> Contributions are 5 per cent each for employers and employees according to 24 wage classes; interest is at present credited at the rate of 5.85 per cent per annum.<sup>36</sup> Complete withdrawals of contributions by employees or their survivors are permitted only on reaching 55 years of age, or permanently departing the country, totally incapacitated or meeting death. Provision is, however, made for the voluntary withdrawal of roughly 1/3 of contributions paid in since 1952 plus interest on attainment of age 50 with the remainder withdrawn at age 55.

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<sup>34</sup> See International Bank for Reconstruction and Development, The Economic Development of Malaya, The John Hopkins Press, London, 1955, p. 160.

<sup>35</sup> International Social Security Association, Social Security Series for Asia and Oceania, No. 3, Geneva, 1972.

<sup>36</sup> There is no limit on the maximum earnings on which contributions are based. The minimum earnings on which contributions are based remain at a salary exceeding M\$10 but not exceeding M\$430.

The Fund is in the custody of and administered by the Employees' Provident Fund Board, a statutory body under the Ministry of Finance composed of equal numbers of government officials, employee and employer representatives. The enforcement and inspection of the programme is, however, the responsibility of the Ministry of Labour and Manpower. Since the operation of the Fund in 1952, both the number of contributors and contributions paid in have increased. In 1975, the number of registered contributors was 2,623,078 and the contributions received during the year amounted to M\$333 million. This great number of contributors indicates that the Fund has already achieved its maximum coverage (Table 6.4.5). Owing to the nature of the Fund being mainly a savings scheme, an enormous reserve has been accumulated as a result of its operation. In 1975, withdrawals amounted to only  $\frac{1}{3}$  of remittances. In fact, the Employees' Provident Fund has throughout the last two decades served as the most important source of domestic borrowings and assisted in the financing of a number of development projects. The Third Malaysia Plan envisaged that a large proportion of domestic borrowings would still have to come from the Employees' Provident Fund.<sup>37</sup>

Looking at the whole social security system in West Malaysia, it is rather surprising that a country like this with widespread poverty, that no formal public assistance has been instituted on a national basis. Even now, the relief of the destitute still remains the responsibility of state governments. To explain this, it should be remembered that in spite of the formation of the Malayan Union immediately after the Second World War, the eleven states in the Peninsula of Malaya have always been independent of one another, each having its own elected assembly. National schemes affecting the entire population are therefore few in number and seldom get accepted by all the states. On the other hand, although poverty is widespread in West Malaysia, most of the people in need are found in villages where assistance for the poor is still expected of family members or relatives. In fact, more of the poor are receiving help and support from the traditional 'protective networks' than relying on the meager sum of assistance provided by local authorities. Under such circumstances, any attempt to rationalise the existing assistance programme or replace it with a more comprehensive and adequate national scheme seems uncalled for and most unlikely.

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<sup>37</sup> TMP, pp.242–246. The Employees' Provident Fund in 1975 held over 50 per cent of the M\$10,481 million Malaysian Government securities. See Anthony Rowley, op.cit., p. 42.

Yet, in view of the extent of poverty in the country, the relief of the destitute will undoubtedly be the major concern in any restructuring of the social security system in West Malaysia. The present arrangement is to treat it as a welfare measure to be left to the discretion of individual state governments. On the other hand, formal social security schemes are only confined to the regularly employed and are not intended to cover the entire population. Thus, although the Workmen's Compensation Ordinance and the Employees' Provident Fund have been enacted since the early 1950s, their purposes are only related to the needs of those in steady jobs. As employed persons are generally most vulnerable to cessation of income, it is not surprising that income security measures are provided for them; under the existing circumstances in West Malaysia, they at least are financially secure on facing injury, incapacitation or retirement.

As a compulsory savings scheme, the Employees' Provident Fund ensures that employed persons are allocating a portion of their incomes for the future. But the Fund has an additional function in providing capitals for investment; the reason for its institution is thus both social and economic. The five per cent contribution from both employers and employees compare rather unfavourably with a similar scheme in Singapore where a 15 per cent contribution is required from employers. It implies that employed persons in West Malaysia will receive less benefits on retirement than their counterparts in Singapore, even though they may have the same incomes. The income security function of the Employees' Provident Fund in West Malaysia is thus less significant than that in Singapore. Members of the Fund are also not allowed, as are in Singapore, to use their credits to purchase flats or for other purposes.

The enactment of the Social Security Act in 1969 indicates that a new approach has been adopted in West Malaysia regarding social security provisions. Instead of either leaving it to the liability of employers, as in workmen's compensation, or giving lump sum payments on retirement or invalidity, social insurance is practised. Pensions are now given to eligible members under the Employment Injury Insurance Scheme and the Invalidity Pension Scheme. In many ways, this is a more satisfactory arrangement than lump sum benefits as recipients can be sure of a stable income, though the amount is less than what they used to earn. In adopting social insurance and providing benefits related to the living standard, it indicates that the Government is now taking an active role in meeting the needs of the employed, though it would be some time before similar protection could be extended to the entire population.

Table 5.4.1 Public Assistance in West Malaysia, 1971-73

State	Number of cases		
	1971	1972	1973
Johor	71,281	21,788	31,579
Kedah	10,031	13,601	16,043
Kelantan	18,745	6,794	4,401
Negri Sembilan	16,309	6,702	7,871
Pahang	121,604	24,598	25,793
Perak	104,949	45,861	75,029
Perlis	339	1,425	431
Pulau Pinang	6,467	7,807	11,039
Selangor	145,224	42,133	37,084
Trengganu	24,291	6,912	2,506
Melaka	39,898	2,167	2,495
	559,139	179,788	214,271

Source: Ministry of Welfare Services, A Joint State and Federal Government Public Assistance Programme, a mimeograph, 1976, Appendix A.

Table 5.4.2 Selected Statistics on EIIS and IPS

	1971	1972	1973	1974
Number of social security centres	1	5	20	32
Number of employers registered under the EIIS	825	8,783	13,717	17,620
Number of employers registered under the IPS	—	—	—	16,489
Number of employees registered under the EIIS	24,707	226,394	488,157	562,407
Number of employees registered under the IPS	—	—	—	537,657
Number of accidents reported under the EIIS (including fatal accidents)	191	8,091	27,357	39,808

Source: Social Security Organisation, Annual Report for the Year 1975, Kuala Lumpur, Appendix 16.



Table 5.4.3 Contributions and Expenditures under the  
Employment Injury Insurance Scheme, 1971-75

	(M\$'000)				
	1971	1972	1973	1974	1975
Contributions collected	73	2,295	7,548	17,775	22,460
Medical expenditures	0.6	74	355	591	621
Cash benefits	1.2	97	406	952	1,311
Temporary disability benefits	1.2	53	275	457	553
Permanent disability benefits	—	41	95	313	394
Dependents' benefit	—	1.9	28	138	247
Funeral grant	—	0.6	2.7	8.8	9.4
Constant attendance allowance	—	—	—	—	0.7

Source: Ibid.

Table 5.4.4 Number of Beneficiaries under the  
Employment Injury Insurance Scheme, 1971-75

	1971	1972	1973	1974	1975
Temporary disability benefits	46	1,409	5,976	7,603	8,094
Permanent disability benefits	—	28	78	282	319
Dependents' benefit	—	24	126	352	643
Funeral grant	—	6	27	88	95
Constant attendance allowance	—	—	—	—	2

Source: Ibid.

Table 5.4.5 Employees' Provident Fund, 1960-75

	Number of employers registered	Number of contributors registered ( '000)	Remittances received (M\$ '000)	Withdrawals paid (M\$ '000)
1960	15,874	1,263	84,620	12,328
1961	17,100	1,218	89,976	13,675
1962	20,019	1,250	94,377	13,821
1963	26,606	1,430	105,473	18,925
1964	42,511	1,488	114,621	23,942
1965	49,160	1,554	126,403	27,178
1966	50,109	1,631	137,498	31,133
1967	51,220	1,732	146,653	37,773
1968	56,614	1,780	152,498	68,942
1969	56,513	1,853	164,467	82,589
1970	58,067	1,955	183,242	75,771
1971	58,418	2,064	227,170	63,848
1972	62,498	2,184	244,759	68,796
1973	66,885	2,340	263,995	79,649
1974	70,881	2,458	282,113	93,897
1975	74,740	2,623	333,858	102,932

Source: Monthly Statistical Bulletin of West Malaysia, August, 1976, op. cit., Table 4.1

## V. AN EVALUATION OF SOCIAL SECURITY POLICIES IN WEST MALAYSIA

Social security programmes consist basically of measures to provide defined categories of people with cash payments in times of need as occasioned by old age, sickness, unemployment, disability and death. To serve such purposes, presently existing in Malaysia are the various public assistance schemes administered by state governments, the Employment Injury Insurance Scheme, the Invalidity Pension Scheme and the Employees' Provident Fund. However, despite their existence poverty remains one of the most serious problems in Malaysia with about half of its population living below or around the subsistence level. This comparatively high incidence of poverty is particularly striking when in terms of per capita income, Malaysia is considered one of the most affluent places in the Southeast Asian region, lagging only behind Hong Kong and Singapore and ranking higher than the Philippines and Indonesia. The co-existence of relative affluence and widespread poverty indicates that there are problems of uneven income distribution in the country with a fairly high proportion of resources concentrated in the hands of a small sector of the population. Figures for 1970 revealed that 2/5 of households in West Malaysia accounted for only 12 per cent of the total income whereas foreign investors controlled 2/3 of the stock holdings. Thus, unlike some underdeveloped countries with little accumulated wealth, the problem facing Malaysia is not so much the lack of resources but a question of their unequal distribution. Most countries have to a certain extent similar problems of unequal distribution of wealth and incomes, but the situation in Malaysia is complicated by the close association of poverty with other types of imbalances existing in the country, between the rural and urban areas, between agricultural and non-agricultural employment and between different racial groups. The typical poor in Malaysia is often receiving very low incomes, living in the villages, working in the farms and is Malay. The above description is, of course, a generalisation but with poverty in Malaysia so closely connected with certain specific social, occupational and racial characteristics, it ceases to be a mere problem of low incomes. The very nature of poverty also makes its eradication far more difficult as any such programme would arouse in the 'haves' oppositions as well as antagonisms with their feeling of being discriminated against or even persecuted.

The absence of a comprehensive Federal Government-administered public assistance programme throughout West Malaysia can also be attributed to this problem of imbalances – though, in this case, the imbalances exist between states. The provision of public assistance in West Malaysia has traditionally been the responsibility of state governments, but with the formation of the Federation of Malaya in 1957 and particularly the amalgamated Federation 1963, there seems no strong reason why public assistance should remain with state departments while the administration of other types of social welfare services are with the central Ministry. Public assistance as provided by state governments has proved to be so inadequate that it is necessary for the Federal Government to introduce a number of special schemes in 1973. A Federally administered and more adequate public assistance programme would, of course, go some way in alleviating the plight of the destitute but, considering the large extent of poverty in Malaysia, its effectiveness in improving the conditions of the poor is in doubt. The economic five-year plans that have been introduced by the Government since 1956 never give the slightest suggestion that a public assistance scheme is the recognised strategy to tackle the problem of poverty. Instead, the plans have emphasised again and again that to eradicate poverty, efforts must first be made to develop the economy, especially manufacturing, and then to minimise the differences existing between regions, occupations and racial groups. The Government believes that should these imbalances be minimised, even partially, the extent of poverty would as a consequence be reduced. The arguments are on the whole logically and convincingly presented in the Plans, especially in the Third Malaysia Plan, but in the implementation of measures aimed at reducing the imbalances difficulties are encountered.

Attempts to reduce rural poverty were made in the early 1950s with the institution of a Rural and Industrial Development Authority (RIDA) as a statutory body with goals of (1) providing physical amenities and improving the rural infrastructure; (2) providing opportunities for the rural population to participate in their own development and (3) providing credit, technical assistance, rural education and extension work.<sup>38</sup> In brief, the objective was to develop a favourable infrastructure for rural development; but the provision of such amenities and facilities has yet to demonstrate its effectiveness in directly contributing to the reduction of rural poverty. In addition, a comprehensive land development programme was launched with the establishment of the Federal

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<sup>38</sup> See David Lim, *op.cit.*, p. 191.

Land Development Authority (FLDA) in 1956. The FLDA adopts a 'captive project' approach by opening up areas of land fixed between 4,000 and 5,000 acres each, planting them with rubber or oil palm, providing them with rural roads, water, schools, health centres, drainage and irrigation and then settling families in. This programme has achieved some success especially in helping the rural Malays but it is comparatively expensive and until 1970 has succeeded in settling just over 20,000 families. Evidence shows that in most cases, the people who reaped the greatest immediate benefits from these programmes were estate owners instead of those actually working in the fields. It is also recognised by the Third Malaysia Plan that 'planned development through public sector spending aimed at correcting imbalances and restructuring society will tend to initially accentuate rather than reduce these imbalances.'<sup>39</sup>

After twenty years of such infrastructure-building programmes, it was reported that one of the most serious problems in the kampongs (villages) was a protein-calorie deficiency due to an insufficient intake of animal proteins and the majority of children in the villages were below the World Health Organisation standards of minimum calorie-intake requirements.<sup>40</sup> Difficulties encountered in the eradication of rural poverty arise partly from the nature of primary production in Malaysia with its survival dependent until recently upon the production of one product, rubber. The world demand for natural rubber has decreased since the mid-1950s with the mass manufacturing of synthetic rubber ; therefore a limit is set within which the production of natural rubber can be profitable. In other words, as pointed by Kasper, 'agricultural development strategy in Malaysia faces the uphill task of production against an adverse trend in terms of trade.'<sup>41</sup> This restriction imposed by the world market on the production of natural rubber necessitates a diversification of crops grown but during the transition period, the small rubber planters who have planted their trees for generations are hardest hit. It comes therefore as no surprise when the Census conducted in 1970 reported that the two largest groups in poverty in the rural areas were rubber smallholders and paddy cultivators, with the former accounting for 226,000 households, or 29 per cent of the total in poverty in rural areas. The New Economic Policy hopes that the diversification policy would help alleviate the plight of the small farmers.

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<sup>39</sup> TMP, p. 8.

<sup>40</sup> See Asia Yearbook, 1974, Far Eastern Economic Review, p. 210.

<sup>41</sup> Walgang Kasper, op. cit., p. 58.

The development of the manufacturing sector represents other attempts of the Government to develop the economy and eradicate poverty. The Investment Incentives Act of 1968 and its subsequent amendments are examples of the Government's effort to encourage investment and establish the industrial sector in Malaysia. The Government hoped that by so doing the economy could be transformed from complete dependence on the production of a few primary products to a broadly based, balanced development of the primary, secondary and tertiary sectors. Some progress has been made since the late 1960s in the production of manufactured exports which, as a percentage of total exports, have increased from 11.4 per cent in 1970 to 23.0 per cent in 1975.<sup>42</sup> Manufacturing has also experienced the fastest growth as compared with other sectors of the economy during the period of the Second Malaysia Plan.

However, the mere expansion of the manufacturing sector does not guarantee that the poor or the marginal workers would benefit from the wealth accrued or employment opportunities created, although the Third Malaysia Plan envisaged that the high rates of growth of manufacturing would stimulate the expansion of employment and thus reduce the incidence of poverty. The crux of poverty in Malaysia is that it is a complex problem which cannot be tackled on only one side. The development of manufacturing may even have the effect of increasing the disparity if only the town dwellers or those belonging to a particular racial group can benefit by its production. The mid-term review of the Second Malaysia Plan, based on figures of the 1970 Census, reported that in the manufacturing sector, only seven per cent of Malays were in the professional and managerial group as compared to 68 per cent Chinese and 18 per cent foreigners, while in the unskilled labourers group, Malays constituted 46 per cent as compared to 26 per cent Chinese.<sup>43</sup> Thus, while the development of manufacturing may help diversify the economy and create more employment opportunities, caution has to be taken to ensure that benefits accrued are fairly and evenly distributed. It is for this as well as other reasons that one of the fundamental objectives of the New Economic Policy, covering the period from 1970 to 1990, is to achieve a 30 per cent Malay ownership and management of

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<sup>42</sup> TMP, p. 19

<sup>43</sup> Economic Planning Unit, Prime Minister's Office, Mid-term Review of the Second Malaysia Plan, 1971-75, Kuala Lumpur, 1973, p. 10.

commercial and manufacturing activities.<sup>44</sup> The Government believed that unless the racial composition of the population could be reflected in the economic activities of the country, and measures introduced to rectify the imbalanced situation, poverty would remain or even be accentuated. To achieve this objective, the strategy adopted, as envisaged by the New Economic Policy, was not a redistribution of existing incomes or resources, but rationally planned future developments to enable Malays to acquire a greater share in ownership and management. As a result, credit facilities such as the Credit Guarantee Corporation were created to advance loans to Malays and other indigenous people. A Bumiputra (sons of the soil) Investment Fund was also established to acquire stocks and to reserve them for subsequent sale to Malays.

Although the Government justified measures in favour of the Malays on the ground that they would ultimately help eradicate poverty,<sup>45</sup> the situation was not so perceived by the non-Malays, especially the Chinese. The non-Malays, and to a lesser extent even the Malays, are not convinced of the necessity to reduce the identification of race with economic functions as the adjustment entailed while moving from centuries-old occupation into new employment is not always easy, and the frustration is felt by both Malays and non-Malays alike. On the other hand, restructuring the economic activities of different racial groups inevitably causes a certain degree of redistribution of incomes and resources, though minimal redistribution has been promised. Fears have already been expressed of the negative effects this may bring about, especially on the incentive to invest by foreigners and non-Malays.<sup>46</sup> Some even perceived the twin objectives of the New Economic Policy to develop the economy and restructure the society

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<sup>44</sup> The SMP states that the New Economic Policy consists of two prongs: 'The first prong is to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities. The second prong aims at accelerating the process of restructuring Malaysian society to correct economic imbalance so as to reduce and eventually eliminate the identification of race with economic function.' (p.1)

<sup>45</sup> The TMP states: 'Continuing improvement in the economic wealth unless accompanied by progressive transformation of the country's racially-compartmentalised economic system into one in which the composition of Malaysian society is visibly reflected in its countryside and towns, farms and factories, shops and offices, the present state of accommodation and understanding between the major racial groups will not grow to the full maturity of national unity.' (p.9)

<sup>46</sup> See Far Eastern Economic Review, August 27, 1976, p. 42.

to reflect the racial composition as being mutually incompatible, though this was strongly refuted by the Government.<sup>47</sup> Nevertheless, given that poverty in Malaysia is seen as a reflection of the total imbalance complex, its eradication must be tackled on all fronts.

If social security policies in Malaysia are assessed according to the above perception of the imbalance complex, it comes as no surprise that public assistance schemes in West Malaysia should fail in general to assist those in need, while the other social security schemes, the Employees' Injury Insurance Scheme and the Invalidity Pension Scheme, serve only a small proportion of the population, namely the wage earners. The Employees' Provident Fund, on the other hand, has the advantage of being the earliest compulsory insurance scheme introduced and now covers almost all employed persons in Malaysia. However, as the EPF is largely structured on a savings scheme basis, with contributors receiving what they and their employers have contributed, there is no element of the 'pooling of risks'. And when low wage earners withdraw their contributions, they often find the lump sum benefits inadequate to maintain their living. Thus the efficacy of the EPF as a benefit for old age needs improving and one of the means is to turn it into a pensions scheme. A pensions scheme is advantageous over lump sum payments in that its provision extends over the entire old age period until death. However, the institution of a pensions scheme involves Government commitment in the financial solvency of the Fund and also implies its reduced potency as a source for domestic borrowings. The EPF at present plays a significant role in the financing of development projects but once turned into a pensions scheme, gradually shifting its base to 'pay as you go', this function would be greatly diminished.

Unlike the Employees' Provident Fund, the Employees' Injury Insurance Scheme and the Invalidity Pension Scheme are both based on the social insurance principle. They provide pensions instead of lump sum payments to benefactors; but benefits are related to average earnings, though provisions are made for minimum payments. The two schemes at present mainly cover wage earners employed in manufacturing, in estate farms and in services. The coverage needs to be extended to cover the entire working population if their protection is

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<sup>47</sup> See TMP, p. 9.

to be maximised. Various types of benefits other than those providing for work injuries and invalidity also need inclusion to make social security in Malaysia more comprehensive.

However, protection for income security may not only take the form of social insurance measures as they are confined mainly to wage earners. The extent of poverty also suggests that other approaches are necessary. The institution of co-operatives and farmers' associations have, in fact, been seen by the Malaysian Government as an effective means to tackle the problem of rural poverty.<sup>48</sup> The co-operative movement gathered momentum during the period of the Second Malaysia Plan and by the end of the period, it has already covered a membership of one million and mobilised capital amounting to about M\$300 million (Tables 5.5.1 and 5.5.2). Apart from farming and fishing, the movement has now entered into various economic activities such as insurance, housing, land development, credit and banking, transport and consumer supply.

In addition to the co-operative movement, farmers' associations were introduced under the period of the First Malaysia Plan. Each farmers' association was designed to cover an area of 5,000 – 10,000 acres and provide extension, credit, processing, warehousing, transport and marketing services to the 1,000 – 2,000 farm families in the area.<sup>49</sup> By the end of 1970, 61 farmers' associations were established in West Malaysia.

The co-operatives, farmers' associations and land development programmes are all established with the aim of increasing rural productivity and thus the income earning capacity and quality of life of the farm labourers. They also represent the major measures taken by the Government to improve the living standard of the rural poor:

The thrust of these programme will be to increase their direct social and economic impact on the poor. To this end, the concept and practice of integrated rural development will be stressed under which land improvement, irrigation, infra-structure expansion, processing, marketing, the supply of credit and essential farm inputs like improved seed and fertilizer and the provision of basic social services including health and education will be developed as package programmes designed to provide broad-based improvements in the standards of living of the rural poor.<sup>50</sup>

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<sup>49</sup> See SMP, p. 130. Also, David Lim, op. cit., p. 198.

<sup>50</sup> TMP, p. 130.



Some 22 per cent of the total development expenditure of the public sector was earmarked under the Third Malaysia Plan for rural development purposes and the Farmers' Organisation Authority (FOA) would be the chief body through which credits would be made available to farmers to develop projects that would lead to productivity increases. The efficiency of these development projects has still to be demonstrated since, as mentioned previously, the short-term effect may be a widening of the gap between the 'haves' and the 'have-nots' instead of its closure. But with increased productivity of the rural sector, and provided that some benefits at least find their way to the bottom layers, farmers' associations and co-operatives might prove more effective in tackling the problem of rural poverty than the provision of additional social security measures. The function of existing social security measures in Malaysia is still very limited and although, to a certain extent, they provide sectors of the population with income security, land development programmes and organisations like farmers' associations may in the long run produce better results as a solution for the imbalance problems, especially in rural areas. Still, notwithstanding its limited function, the existence and even expansion of the social security system in Malaysia is justifiable for its contribution to the reduction of imbalances and protection for the needy in times of want.

Table 5.5.1 Types of Co-operative Societies

Type of societies	1969	1970	1971	1972	1973	1974
Thrift and credit 'A' rural	1,187	1,080	953	869	*	*
Urban and places of employment	425	425	419	415	392	398
Processing and marketing	415	375	314	290	52	52
Land farming	62	55	51	47	*	*
Consumers	152	140	128	125	140	148
Miscellaneous	187	205	200	210	155	185
Banks	19	16	13	10	3	3
Unions	30	22	21	21	10	10
Multipurpose	243	333	464	570	241	301
Industries					13	13
Land development					20	20
Total	2,720	2,651	2,563	2,557	1,026	1,130

\* Handed over to the Farmers' Organisation Authority in Nov. 1973.

Source: Director General for Cooperative Development, Annual Report, various years.

Table 5.5.2 Membership and Share Capital of Co-operative Societies

	1969	1970	1971	1972	1973	1974
Membership	558,926	599,840	652,697	722,943	668,265	732,511
Share capital M\$'000s	171,117	183,444	212,928	239,837	239,418	292,960

Source: Ibid.

CHAPTER SIX  
SOCIAL SECURITY SYSTEM IN THE PHILIPPINES

I. SOCIAL, POLITICAL AND ECONOMIC CHARACTERISTICS

The Philippines declared independence on 12 June, 1898, after more than three centuries of Spanish dominion, only to fall quickly into the hands of another colonising power, the United States. Self-rule was secured for the Philippines just before the Second World War, during which the country was occupied by Japan. The Philippines was proclaimed a republic on 4 July, 1946, with Manuel Roxas as the first president, but Independence Day is celebrated on the anniversary of the 1898 declaration. The present President is Ferdinand E. Marcos, who first won renown as a guerilla fighter during the Japanese occupation and was elected President on 9 November, 1965. He was re-elected President in 1969. Declaring that the nation was threatened by communist subversion, Marcos ordered the suspension of the writ of habeas corpus in 1971 and later imposed martial law on 21 September, 1972.<sup>1</sup>

The effect of nearly four centuries of colonial domination could still be felt in many aspects of the life of the people of the Philippines. The Catholic religion of the Spanish remains the dominant belief of the country, although Muslim groups exist and their influence is increasing in the South. Both in administration and in business, the American influence is apparent and this can be seen from the fact that even today, technology in the Philippines is mostly imported from the United States, where the majority of the Philippine technocrats are also trained. The present situation in the Philippines is thus the interplay of the colonial legacy and the demands for greater national and economic development.

Geographically, the Philippines is a chain of islands situated off the southeast coast of Asia. It consists of 7,107 islands, big and small, forming roughly an elongated triangle 1,152 miles from north to south, and 688 miles from east to west with a total land area of 115,707 square miles. Luzon, which lies in the north, is the largest island with an area of 40,314 square miles; Mindanao in the south is the second largest. Central Philippines is a group of islands of

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<sup>1</sup> For a brief sketch of the development of the Philippines from the Pre-European days to Independence, see J.S. Furnivall, Experiment in Independence: The Philippines, Solidaridad Publishing House, Manila, 1974.

varying sizes, called Visayas. Manila is the main port of entry and the commercial, educational and socio-cultural centre, but most of the Government offices are situated in the Quezon City, eight kilometres from Manila.

### 1. Population

The total estimated population of the Philippines at the end of 1975 was 42,759,000 with 21,314,000 males and 21,445,000 females; the last Census in 1970 found the population to be 36.5 million. Since 1948, with the crude birth rate running as high as 40 per thousand, the population grew by an average annual rate of about three per cent. The high birth rate has been attributed to two main factors. First, the dominant religion in the Philippines is the Catholic faith which discourages the use of contraceptives. Secondly, even if family planning has been accepted as a state policy, like in India and Singapore, the birth rate would probably have remained high as over 70 per cent of the population in the Philippines are living in the rural areas where medical facilities are not easily available. A survey carried out in 1968 reported that less than 20 per cent of all married women of child-bearing ages in the Philippines admitted to having used any form of contraception.<sup>2</sup> Since then, clinics have been expanded; a number of community development projects have also incorporated family planning as part of their programmes, but still the crude birth rate in the Philippines has remained very high (Tables 6.1.1 and 6.1.3).

Mainly because of the high birth rate, the proportion of children aged under 15 accounted for as much as 45 per cent of the population (Table 6.1.2). The figure in 1960 was 45.7 per cent but has been reduced to 43.1 per cent in 1970. Those between 15 and 60 years of age remained at about 50 per cent while those above 60 increased from 4.4 per cent in 1960 to 6.7 per cent in 1970. The proportion of old people has in fact increased most rapidly during the last ten to twenty years. However, the young people will remain a major concern of the Government, especially in terms of the provisions for education and employment opportunities, while the care of the elderly, a minor problem at present, will increasingly be attracting attention.

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<sup>2</sup> International Labour Office, Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines, a report of an inter-agency team financed by the United Nations Development Programme and organised by the International Labour Office, Geneva, 1974, p. 387.

## 2. The Economy

The Philippine economy has, since its earliest days after becoming a republic, been beset with continuing problems of fluctuating trade and balance-of-payment difficulties. The Gross National Product (GNP) in 1972 was estimated to have reached over ₱55,000 million, more than three times the figure of ten years ago.<sup>3</sup> Although the average annual growth rate of the economy has been recorded during the ten years from 1962 to 1972 as over four per cent, it has nevertheless been greatly balanced off by the high rate of population increase, lowering the average annual growth rate of the GNP per capita to less than two per cent (Tables 6.1.4 and 6.1.5). To really improve the living standard of the Filipinos, a faster growth rate for the economy is necessary; an alternative is to introduce effective and acceptable methods to control the high birth rate.

It has been the policy of the Government since the early 1950s to diversify the economy and to develop manufacturing. During the ensuing ten years, the policy has met with some success with the development of import-substituting industries. However, the protectionist strategy adopted to safeguard the interests of the infant industries carried with it certain inherent defects such as biases in favour of capital-intensive large-scale industries, especially those located near the large urban centres, and of the domestic market. The policy also failed to affect the rural sector and provide the necessary employment opportunities for the growing population. These defects, gradually surfacing in the 1960s and especially after the domestic market for 'easy' import substitutes had been exhausted, led to the cessation of the protectionist policy. An International Labour Organisation Mission looking at the growth and employment problems of the Philippines pointed out:

The excessive use of the scarce capital in the large-scale industries, and the inadequate participation of the medium and small-scale industries have led to a sluggish pace of expansion of the demand for labour. This, combined with the rural sector's inability to provide increased employment opportunities, became one of the root causes of underemployment, real wage stagnation and inequality of income distribution.<sup>4</sup>

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<sup>3</sup> The Gross National Product in 1975 was estimated to be ₱43,389 million at 1967 prices or ₱113,414 million at current prices. See Asia Yearbook, 1977, Far Eastern Economic Review, p. 278.

<sup>4</sup> Sharing in Development, op.cit., p. 4.

Having pin-pointed these shortcomings of the Philippine economy, the Mission suggested that, in order to effect a major structural change within a relatively short period of time, the whole economic system must move from a narrow emphasis on large-scale industry fuelled by traditional exports towards a broadened development of medium and small-scale industry.<sup>5</sup>

Notwithstanding the Government's policy to diversify the economy, foreign trade has continued to rely on the export of a few primary products, consisting of sugar, logs and plywood, and coconuts. This reliance on agricultural exports can be seen from the fact that by 1973, manufacturing still contributed only about 20 per cent of GNP, while farming accounted for 30 per cent.<sup>6</sup> Due mainly to the failure of the country to export more than what it has to import, the Philippines has constantly been bothered by its inability to make ends meet and the necessity to rely on foreign aids or loans for its development projects. Ever since the early 1950s, trade in the Philippines has mostly been in the red (Table 6.1.4). In 1973, a trade surplus of US\$289 million was recorded mainly because of the high prices of sugar; but prices of all exports fell again in 1974, resulting in an imbalance of trade amounting to US\$370 million.<sup>7</sup> To reverse the unfavourable trade situation, drastic measures to boost exports other than the few traditional agricultural products are thus necessary. The introduction of such measures is made more urgent by the fact that by the end of 1975, the total external debt owed by the Philippine Government to foreign organisations such as the World Bank and the Asian Development Bank already amounted to over US\$4,000 million.<sup>8</sup>

Such an attempt to diversify the economy was included in a Four-Year Plan announced shortly after the declaration of Martial Law to cover the period from 1974–77. The most significant feature of the Four-Year Plan, in terms of future expansion of GNP and opening employment opportunities, was the decision to create what was equivalent to a small scale business administration, which was provided with substantial financial support from the

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<sup>5</sup> For works on the Philippine economy, see Frank H. Golay, The Philippines: Public Policy and National Economic Development, Cornell University Press, Ithaca, New York, 1968 and Gerardo P. Sicat, Economic Policy and Philippine Development, University of the Philippines Press, Manila, 1972.

<sup>6</sup> See Asia Yearbook, 1974, Far Eastern Economic Review, pp. 252–261.

<sup>7</sup> See Far Eastern Economic Review, February 6, 1976, p. 40.

<sup>8</sup> See Far Eastern Economic Review, January 16, 1976, p. 82.

Government lending institutions such as the Development Bank of the Philippines, incentives from the Board of Investment, administrative assistance from the National Economic Development Authority (NEDA) and the co-operation of the private sector.<sup>9</sup> It was hoped that such a business administration would help diversify the economy and prevent too much reliance on a short list of capital-intensive industries. A Five-Year Plan covering the period from 1978–82 was prepared by the NEDA to succeed the Four-Year Plan. Problems identified in the Five-Year Plan were similar to those in the Four-Year Plan and included income inequality, unemployment and underemployment, excessive population growth, external payments imbalance, price instability and energy constraints. The Plan aimed at reducing the magnitude of these problems by developing small to medium scale industries.<sup>10</sup>

### 3. Public Finance

Traditionally, the Philippines has had a small public sector economy. In recent years both Government revenues and expenditures have increased enormously as Government went into fields of economic activity previously left to private enterprises.<sup>11</sup> Government revenues and expenditures for 1975 were ₱21,425 million and ₱22,152 million respectively, being 18.5 and 19.3 per cent of GNP (Table 6.1.6). The major source of Government revenue is indirect taxation which usually constitutes more than 70 per cent of the total Government income (Table 6.1.7). The rest of about 30 per cent is accounted for by direct taxation. As indirect taxes are regressive in nature, it implies that taxes are evenly borne by people without regard to their ability to pay.

Education constitutes the most eminent item of Government spending in the Philippines and it usually represents more than 30 per cent of current expenditures (Table 6.1.8). Generally, the national Government spends

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<sup>9</sup> The Four-Year Plan included the following objectives: (1) maximum utilisation of the labour force and reduction of the rate of underemployment; (2) economic growth at the rate of 6.5 per cent in 1974 to 7.5 per cent in 1977; (3) more equitable distribution of income and wealth; (4) regional development and industrialisation; (5) promotion of social development; and (6) maintenance of price stability.

<sup>10</sup> The Plan accepted to a certain extent recommendations of the ILO Mission which reported in 1974.

<sup>11</sup> See Asia Yearbook, 1977, Far Eastern Economic Review, pp. 276–279.

about 40 per cent of its current expenditures on social services, 30 per cent on general administration and 20 per cent on economic services which include the development of agricultural and natural resources and the building up of the transport and communication infrastructure (Table 6.1.8).

The Government has been increasing its expenditures on economic development in the last five years since the declaration of martial law and in fiscal year 1977, about ₱11,000 million, out of a total budget of ₱27,400, was allocated for this purpose with ₱5,000 million for social development.<sup>12</sup> Expenditures on national defence now constitute more than ten per cent of the budget; this is considered necessary as the Philippines wants to maintain a strong military image in the Southeast Asian region. In addition, the heavy debts owed by the Government to loan-service organisations implies that a greater and greater share of public expenditure will go to the payment of these debts. This would constitute an increasingly heavy demand on public expenditures.

#### 4. Administration

President Marcos declared martial law on 21 September 1972 and thus drastically changed the political structure of the Philippines. The Constitution which had been in operation since the independence of the Philippines in 1946 up to 1972 was patterned mainly after the American model, providing for a republican form of government, with separation of powers among the three main branches of government – the Presidency, Congress and the Courts. Even before the declaration of martial law, the Presidency in the Philippines had been invested with more highly centralized powers than the American President and to him the local as well as congressional leaders always looked for political and budgetary patronage. In fact, the Philippine President possessed broad powers over practically everything that affected the life of the Filipinos. Congress, in comparison with the Presidency, was weak and ineffective and never was the image of its counterpart in the United States.

While undue attention has been lavished on the administration of the major cities, particularly Manila, more than three-quarters of the Philippine population are still living in the towns and villages of the various islands. For administration, the country is divided into provinces which may encompass part of an island, a whole island, or several islands. The provinces are then further

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<sup>12</sup> See 'Philippines allots rural priorities', Far Eastern Economic Review, September 30, 1977, p. 49.

broken into municipalities which are governed from the major town or poblacion. Usually, ten to twenty per cent of the municipal population live in the poblacion while the remainder dwell in the barrios in clusters of houses close to the land they till. The barrio may be described as the basic administrative unit but it is at the poblacion that the offices of the mayor, the judge, the police, and national agencies concerned with health, taxes, agriculture, and community development are concentrated.<sup>13</sup> Social, political and economic life of a rural Philippine community is dominated by half a dozen wealthy landowning families related to one another by marriage and connected to many of the town people and barrio residents by ritual ties through the co-father system. In many ways rural life in the Philippines still retains much of the characteristics of a Spanish village.

There are over 70 provincial governments in the Philippines and since the declaration of martial law, they have been considered too small to be effective units in carrying out development programmes in their respective areas. The country is now divided into 12 regional councils, almost like super-provinces, which will identify their best development projects and carry them out. In addition, a Presidential Regional Officer for Development, or Presidential Regional Action Officer, has been assigned to co-ordinate the efforts of the different localities.

To replace the Congress, President Marcos declared in early 1976 that he would set up a legislative advisory council (batasang bayan) to advise him on important matters. Peoples assemblies (sangguniang bayan) were already set up in 1975 to represent barangays (neighbourhood associations), youth associations, provincial and municipal governments and the labour, farming and professional sectors. The sangguniang bayan were also supposed to function as legislative bodies in each province.<sup>14</sup>

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<sup>13</sup> For a sketch of the rural Philippine social and political life, see G.M. Guthrie, The Psychology of Modernization in the Rural Philippines, Institute of Philippine Culture Papers, No. 8, Ateneo de Manila University Press, Quezon City, 1970. Also, John J. Carroll, Changing Pattern of Social Structure in the Philippines, 1896-1963, Ateneo de Manila University Press, Quezon City, 1968.



Table 6.1.1 Population, 1903–1970

Year	Number	Median age
1903	7,635,000	20.2
1918	10,314,000	18.5
1939	16,000,000	18.3
1948	19,234,000	17.7
1960	27,088,000	16.9
1970	36,684,000	17.1

Source: National Economic and Development Authority, Republic of the Philippines, Philippine Yearbook, 1975, National Census and Statistics Office, 1975, Table III.1.

Table 6.1.2 Age Structure, 1960 and 1970

	1960		1970	
	Number	%	Number	%
Under 15	12,377,240	45.7	15,773,642	43.1
15–60	13,525,329	49.9	18,382,658	50.2
Above 60	1,185,116	4.4	2,433,768	6.7

Source: Ibid., Table III.9.

Table 6.1.3 Vital Statistics, 1950–1972

Year	Crude birth rate	Crude death rate	Infant mortality rate
1950	32.2	11.4	101.6
1955	31.2	9.0	84.3
1960	23.2	7.1	85.4
1965	25.0	7.4	72.9
1970	26.4	6.4	60.0
1971	25.4	6.6	62.0
1972	24.8	7.3	67.9

Source: Ibid., Table V.1.

Table 6.1.4 Imports, Exports, and GNP, 1960–1972

(at current prices)

Year	GNP (₱ million)	Imports (% of GNP)	Exports (% of GNP)
1960	12,983	12.3	10.9
1961	14,312	13.4	11.4
1962	16,139	17.8	15.7
1963	18,898	15.8	16.7
1964	20,238	17.9	16.5
1965	22,169	17.7	17.5
1966	24,525	17.0	18.5
1967	27,322	19.3	17.2
1968	30,432	18.6	14.7
1969	34,089	16.5	12.8
1970	41,179	19.5	19.1
1971	49,532	18.2	18.0
1972	55,895	16.6	15.7

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Source: See Sharing in Development, a Programme of Employment, Equity and Growth for the Philippines, a Report of an Inter-Agency Team Financed by the United Nations Development Programme and Organised by the International Labour Organisation, International Labour Office, Geneva, 1974, p. 79.

Table 6.1.5 Annual Rates of Increase of GNP and Consumer Prices

Year	GNP (1967 prices)	Consumer prices
1960–61	6.1	4.3
1961–62	5.3	3.3
1962–63	6.8	8.1
1963–64	2.4	8.8
1964–65	5.1	3.2
1965–66	4.7	4.8
1966–67	5.1	5.5
1967–68	5.5	2.2
1968–69	6.0	1.3
1969–70	5.2	14.8
1970–71	6.5	21.8
1971–72	4.3	8.2

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Source: National Economic and Development Authority, Republic of Philippines, National Income Accounts, National Income Series, No. 1.

Table 6.1.6 National and Local Government Revenue and Expenditure,  
Fiscal Years 1969-1972

(₱ million)

Revenue and expenditure item by level of government	FY 1969		FY 1970		FY 1971		FY 1972	
	Amount	% of GNP	Amount	% of GNP	Amount	% of GNP	Amount	% of GNP
National and local								
Total revenue	3,711	11.6	4,109	10.9	5,421	12.0	6,225	11.6
Total expenditure	4,534	14.2	5,236	13.9	5,618	12.4	7,094	13.2
GNP (in current pesos)	31,890		37,614		45,369		53,790	
National								
Total revenue	2,862		3,110		4,298		5,110	
Total expenditure	3,717		4,303		4,533		5,964	
Current	3,056		3,349		3,758		4,724	
Capital	661		975		775		1,240	
Local								
Total revenue	849		999		1,123		1,115	
Local government proper	328		402		457		526	
Transfers from national gov't	521		597		666		589	
Total expenditure	817		933		1,085		1,130	

Source: See Sharing in Development, op.cit., p. 247

Table 6.1.7 Percentage Composition of National and Local Government  
Tax Structure, Fiscal Years 1964, 1968 and 1972

Type of tax	FY 1964	FY 1968	FY 1972
Direct tax*	28.0	28.7	28.6
Indirect tax	72.0	71.3	71.4
National Government	65.0	64.1	62.0
Local Government	7.0	7.2	9.4

\*Including real property of local government

Source: Ibid., p. 248.

Table 6.1.8 Current Expenditure of the National Government,  
Fiscal Years, 1964–72

Category	FY 1964	FY 1966	FY 1968	FY 1970	FY 1972
			( ₦ million)		
General administration	475	553	727	969	1,165
			(Percentage)		
General administration	25.70	27.62	29.39	29.12	28.90
General government	10.44	11.99	10.67	11.87	7.89
Justice and police, national defence	15.26	15.68	18.71	17.25	21.01
Social services	37.99	41.86	39.81	39.75	40.10
Education	30.57	34.37	33.10	32.03	32.69
Health	5.90	5.99	5.46	6.13	6.08
Labour and welfare	1.52	1.50	1.25	1.59	1.34
Economic services	17.69	18.33	19.68	18.45	18.30
Agriculture and natural resources	6.11	5.69	5.58	5.53	6.10
Transport and communications	8.28	9.09	10.47	7.24	7.42
Others (transfer payments, debt services)	18.61	12.19	11.12	13.31	12.70

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Source: Ibid., p. 249

## II. EMPLOYMENT AND INCOME DISTRIBUTION

### 1. Employment

The Philippines is still a predominantly agricultural country with about half of its working population engaged in primary production; the rest are employed in commerce, manufacturing, Government, business and recreational services (Table 6.2.1). There is no minimum age for the employment of children in the Philippines since most of them would be helping in one way or another in the villages. However, if one counts those aged ten years and over, the participation rate is about 52 per cent, which in 1975 constituted 67.8 per cent of all males and 32.1 per cent of all females within that age range (Table 6.2.2).

Although the Government has since the early 1950s been pushing ahead with manufacturing, few employment opportunities have been created in this sector. The number of persons employed in manufacturing has in fact dwindled, percentage-wise, between the two labour force surveys conducted in 1960 and 1971. In 1971, about 11.5 per cent of the labour force was employed in manufacturing while the corresponding figure for 1960 was 12.1 per cent (Table 6.2.3). The two sectors that have seen the most rapid increase in the number of persons employed were commerce and various types of services. There is evidence to show that increasingly more people are leaving agriculture, or primary production, to move into better paid jobs in the cities.<sup>15</sup> Manufacturing is still underdeveloped in the Philippines and its potentialities in providing more employment opportunities are thus enormous, provided only that the future policy is to develop labour-intensive industries.

On the other hand, although agriculture employs more than 50 per cent of the labour force, it accounts for only about 1/3 of the value added (Table 6.2.3). So, unless world demand rises for agricultural products, efforts to increase agricultural production would scarcely help the trade balance problem of the Philippines. Other methods like developing export-oriented industries should be sought and encouraged. Tourism, already very much emphasised in recent years, is another channel to provide the needed revenue as well as employment opportunities.

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<sup>15</sup> See International Labour Office, Employment Problems and Policies in the Philippines, International Labour Office, Geneva, 1969.

Another phenomenon of the employment situation in the Philippines is the high percentage of self-employed and unpaid family workers. According to information supplied by the National Census and Statistics Office, wage and salary workers as of February 1975 constituted only 39.9 per cent of the total labour force (Table 6.2.4). Self-employed persons were only slightly fewer, accounting for 38.0 per cent of the total labour force; unpaid family workers represented 22.2 per cent. Employment in licensed establishments in many trades in the Philippines is, in fact, the exception rather than the rule. In both commerce and personal services, more than 2/3 of those working were reported to be engaged in establishments without licenses; only in the Government, community, business and recreation was the majority of workers employed in licensed establishments (Table 6.2.5). It means that most of the workers are either working for themselves, such as in small retail trade, or are engaged in organisations that employ only a few workers and thus seldom regulated by the proper authority. Even in manufacturing where organisation is usually strong, as much as 70 per cent of the workers in the early 1970s were employed in establishments with 1–4 employees (Table 6.2.6). So widely dispersed are the factory workers that to organise them in any form of labour movement is always a formidable task.

With half of the working population employed in agriculture in the Philippines, unemployment has presented itself as a less serious problem than in countries with a large number of wage earners (Table 6.2.7). The official unemployment rate as pronounced fluctuated during the last few years between five and ten per cent;<sup>16</sup> this figure, however, concealed the fact that in the Philippines many are either underemployed or are working only seasonally, during the harvest time. Generally, more people are actually unemployed in the cities than in the rural areas and more female workers are without jobs than men. Underemployment, on the other hand, is more widespread in the villages where workers are mainly self-employed or are working as unpaid family members.

## 2. Income Distribution

The Philippines stands out among the developing countries with its most unequal distribution of income. This inequality, the result of a highly

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<sup>16</sup> Unemployment in the Philippines was estimated at 3.6 per cent and under-employment at 16 per cent of the labour force in 1975. See Asia Yearbook, 1977, Far Eastern Economic Review, p. 277.

unequal distribution of almost everything in the nation, occurs not only between families belonging to different economic and social classes but also between different regions of the country. The Family Income and Expenditures Survey conducted in 1971 reported that the average family income in the Philippines was ₱3,763 but it varied greatly between regions. The average family income in Manila was about three times those of the three regions with the lowest average income, Cagayan Valley, Eastern Visayas and Bicol (Table 6.2.8). Families receiving less than ₱1,000 per year were therefore not uncommon in the lowest average income regions.

The Government has been trying to level off the inequality by imposing minimum wages as early as 1950 but this measure seems to have brought little benefit to the low income earners. The first minimum wage law, adopted following the recommendations in the report of the 1950 United States Economic Survey, fixed the non-agricultural minimum wage at ₱4 per day and the agricultural minimum at ₱2.50. The law was not amended until 1970 when the rates were revised as follows: ₱8 for non-agricultural employees of private firms, public corporations and the central Government; ₱6 for sales and services employees in Government establishments of more than five workers; ₱5 for provincial and local Government employees; and ₱4.75 for agricultural workers. In early 1976, measures were enacted to raise the minimum wage for industrial workers from ₱8 to ₱10 in the Manila area and to ₱9 in the provinces; the minimum wage for agricultural workers was also raised to ₱7 for plantation workers and ₱6 for non-plantation workers. However, a defect of the entire system is that the minimum wage standards have never effectively been enforced in the Philippines and they usually do not apply to small retail and service establishments where such standards are badly needed. In a country like the Philippines with more than half of the labour force employed in primary production, minimum wage standards are in fact of little relevance to the improvement of income levels of the wage earners. Not only are such measures difficult to enforce, in a labour-surplus situation like the Philippines, they may even result in more people being unemployed.

It has been mentioned that manufacturing employs only about 12 per cent of the labour force in the Philippines. The wages of factory workers are usually higher than the farmers and this disparity has been one of the contributing factors of income inequality and the depressing state of the agricultural workers (Table 6.2.9). Power and Sicut noted that,

the dualistic character of the Philippine economy makes it easy to fall into the trap of perpetuating factor-price disequilibrium through a high-wage policy in manufacturing offset by tariff protection. The resulting failure of industry to absorb the growing surplus labour from agriculture and other low productivity sectors has the effect of enhancing a dualism in the labour force between a small number of relatively well-paid industrial workers and the great majority which remains unemployed or employed at far lower average earnings.<sup>17</sup>

The argument goes, therefore, that provided more employment opportunities could be made available in the manufacturing sector, and hence a corresponding reduction of employment in agriculture, wage levels in the manufacturing sector would be brought down. But to achieve this would mean more than a simple change from the capital-intensive to a labour-intensive pattern of manufacturing; it would also result in a speeding up of rural to urban migration as factory jobs are usually more readily available in the cities. While the aim of narrowing the wage gap between manufacturing and agriculture is laudable, measures to effect it deserve careful consideration with regard to their social and structural implications.

Meanwhile, before any measures were introduced, the present inequality of income distribution was a cause for grave concern. Between 1956 and 1971, income distribution has remained practically unchanged; in 1956 the top 20 per cent of all families received 55.1 per cent of the total income, and this was only slightly reduced to 53.9 per cent in 1971 (Table 6.2.10). The Gini coefficient, an index of income inequality, for the two years were 0.48 and 0.49 respectively. According to information released by the National Census and Statistical Office, up to 53 per cent of total family incomes in 1975 was accounted for by those in the high-income bracket, or five per cent of all households, 32 per cent by those in the middle-income bracket, or ten per cent of all households, and only 15 per cent by those in the low-income bracket, or 85 per cent of all households.<sup>18</sup> The last five years of the New Society has also not seen any improvement in the wage level of labourers. Using 1972 as a base-line with 100 index points, real wages for skilled labourers dropped to 71.2 in 1976 and for unskilled labourers to 72.7.<sup>19</sup>

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<sup>17</sup> John H. Power and Gerardo P. Sicat, The Philippines: Industrialization and Trade Policies, Oxford University Press, London, 1971.

<sup>18</sup> See 'Philippine planners at work', Far Eastern Economic Review, August 5, 1977, p. 39.

<sup>19</sup> See 'The five-year itch', Far Eastern Economic Review, September 30, 1977, p.15.



Income distribution is therefore extremely unequal in the Philippines and its causes have been attributed to (1) the unequal pattern of land ownership; (2) the dominant economic position of a few families, (3) the regressive character of the indirect tax system and (4) the inefficient pattern of industrialization. The consequences of income inequality are widespread poverty and an imbalance in incomes between occupations and regions; any attempt to redress this situation would probably require measures that go beyond the assistance of a few poor families or even the distressed localities.

Table 6.2.1 Employed Persons by Major Industry Group

	(Thousand)			
Industrial group	1963	1971	1972	1973
Agriculture, forestry, hunting and fishing	6,131	6,440	7,166	7,016
Mining and quarrying	32	56	58	62
Manufacturing	1,259	1,472	1,467	1,418
Constructions	324	467	456	522
Electricity, gas, water and sanitary services	33	58	40	37
Commerce	1,076	1,531	1,674	1,660
Transport, storage and communications	355	518	479	505
Government, community, business and recreational services	516	1,132	1,059	1,087
Domestic services	353	518	562	670
Personal services other than domestic	215	270	237	255
Industry not reported	21	29	19	39
	<u>10,315</u>	<u>12,584</u>	<u>13,217</u>	<u>13,262</u>

Source: Philippine Yearbook, 1975, op.cit., Table XIX.3.

Table 6.2.2 Labour Force Participation Rates by Age Group, 1957–1973

	10 years old and over	10–24 years	25–44 years	45–64 years	65 years and over
1957	58.2	51.2	67.2	67.6	33.9
1958	61.2	53.2	70.6	71.7	38.0
1959	58.9	49.4	69.1	71.2	37.0
1961	59.6	51.8	68.9	70.3	35.4
1962	60.3	50.9	70.9	72.1	36.1
1963	60.9	51.6	72.0	71.8	38.8
1964	59.9	49.3	71.9	71.5	36.9
1965	57.5	46.1	71.2	68.8	34.9
1966	56.7	45.6	69.7	69.6	38.3
1967	61.2	51.9	72.0	72.4	39.9
1968	61.2	50.3	74.4	73.1	36.6
1969	52.0	38.8	66.9	66.4	36.8
1970	49.0	35.9	63.4	59.4	34.2
1971	51.8	38.7	66.8	66.4	32.9
1972	53.1	40.7	68.8	65.8	36.4
1973	49.3	34.6	66.9	64.4	36.9
Average	56.9	46.3	69.4	68.9	36.4

Source: Ibid., Table XIX. 2.

Table 6.2.3 Aggregate Trends in Sectoral Net Value Added and Employment, 1960–71

Sectors	Shares in net value added and employment					
	1960 Net value added (1960 prices)	Employ- ment	Relative value added per employee	1971 Net value added (1971 prices)	Employ- ment	Relative value added per employee
Agriculture	33.5	61.2	0.55	36.5	50.4	0.72
Mining	1.2	0.3	4.00	2.3	0.5	4.60
Manufacturing	19.6	12.1	1.62	19.8	11.5	1.72
Construction	3.6	2.7	1.33	2.6	3.4	0.76
Transport, utilities	5.1	3.4	1.50	3.4	4.6	0.74
Commerce	17.1	8.8	1.94	14.2	12.4	1.15
Services	20.0	11.5	1.74	21.2	17.2	1.23
	100.0	100.0		100.0	100.0	

Source: National Census and Statistics Office, National accounts data and labour force surveys for October, 1960 and November, 1971.

Table 6.2.4. Employed Persons by Major Industry Group and by Class of Worker, February, 1975

(Thousand)

	Number	%	Wage & salary worker		Self-employed worker		Unpaid family worker	
			Number	%	Number	%	Number	%
Agriculture, forestry, hunting and fishing	7,497	54.4	1,155	21.1	3,659	70.2	2,680	87.9
Mining and quarrying	44	0.3	35	0.6	9	0.2	—	0.0
Manufacturing	1,440	10.5	926	16.9	414	7.9	99	3.2
Electricity, gas, water and sanitary services	42	0.3	41	0.7	1	0.0	—	—
Construction	418	3.0	391	7.1	26	0.5	1	0.0
Commerce	1,574	11.4	465	8.5	874	16.8	235	7.7
Transport, storage and communication	527	3.8	442	7.7	101	1.9	3	0.2
Government, community, business and recreational services	1,234	9.0	1,179	21.6	50	1.0	5	0.2
Domestic services	718	5.2	712	13.0	4	0.1	1	0.0
Personal services other than domestic	238	1.7	139	2.5	74	1.4	25	0.8
	<u>13,708</u>	<u>100.0</u>	<u>5,470</u>	<u>100.00</u>	<u>5,215</u>	<u>100.0</u>	<u>3,049</u>	<u>100.0</u>
Industry not reported	9,365		3,439		4,174		1,736	

Source: National Census and Statistics Office, Labour Force Survey, February, 1975.

Table 6.2.5 Employment Distribution by Organised and Unorganised Subsector, 1961 and 1971

(Percentages)

Services sector	1961		1971	
	Organised	Unorganised	Organised	Unorganised
Commerce	15.3	84.7	18.6	81.4
Transport, storage and communication	38.2	61.8	22.5	77.5
Government, community, business & recreation	94.3	5.7	93.7	6.3
Net of government	83.3	16.7	88.1	11.9
Personal services	23.4	76.6	27.1	72.9
Total	<u>35.8</u>	<u>64.2</u>	<u>38.6</u>	<u>61.4</u>

Source: National Census and Statistics Office, Labour Force Surveys, 1961 and 1971.

Table 6.2.6 Shares in Employment and Value Added in Manufacturing by Size of Firm, 1969-71

Size (employment)	Employment (percentage)	Value added (percentage)
1 - 4	70.0	5.6
5 - 19	5.2	4.5
20 - 49	2.2	3.8
50 - 99	2.3	5.7
100 - 199	2.8	10.3
200 +	17.5	70.1

Source: National Census and Statistics Office, Labour Force Surveys, 1969-70 and 1970-71.

Table 6.2.7 Measured Rates of Unemployment by Household Status Groupings, August, 1972

Category and sex	Total unemployment	(Percentage of labour force)		Heads of household
		Age of unemployed 15-24 years	25 years and over	
Total	6.1	12.4	3.6	2.1
Male	5.7	12.0	3.4	2.1
Female	7.0	13.1	4.2	1.3
Urban	10.8	19.8	7.0	5.0
Male	12.4	26.9	7.8	5.2
Female	7.0	13.1	5.5	2.2
Rural	4.0	8.9	2.0	0.9
Male	3.1	7.2	1.4	0.9
Female	6.2	13.2	3.4	0.8

Source: National Census and Statistics Office, Labour Force Survey, August, 1972.

Table 6.2.9 Selected Indicators of Money Wage Levels, 1971

Type of income	Annual earnings <sup>1</sup> (in pesos)	Daily earnings <sup>1</sup> (in pesos)
1. Average compensation of wage and salary employees	3,776	12.59
2. Average entrepreneurial income per full-time equivalent self-employed worker	3,397	11.32
3. Average entrepreneurial income per full-time equivalent self-employed worker plus unpaid family workers	2,449	8.16
4. Money wages of common labourers in industrial establishments, Manila and suburbs	2,952	9.84
5. Average household income of manual service workers	2,886	9.62
6. Average household income of farm labourers	2,248	7.49
7. Average payroll per employee in:		
Large manufacturing enterprises (20+ employees)	4,125	13.75
Smaller enterprises (5–19 employees)	1,920	6.40

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<sup>1</sup> Annual earnings have been converted into daily rates (and vice versa) on the assumption of 300 working days per year.

Source: National Census and Statistics Office, Family Income and Expenditure Survey, 1971.

Table 6.2.10 Income Distribution:  
Indicators of Income Distribution: Total, Rural and Urban,  
1956, 1961, 1965 and 1971

Indicator	1956		1961		1965		1971	
	Total	Rural Urban	Total	Rural Urban	Total	Rural Urban	Total	Rural Urban
Quintile of families (percentage of total family income)								
Lowest 20 per cent	4.5	7.0	4.2	5.9	3.5	5.0	3.8	4.4
Second 20 per cent	8.1	11.1	7.9	11.8	8.0	9.5	8.1	8.9
Third 20 per cent	12.4	14.7	12.1	13.5	12.8	15.3	13.2	13.9
Fourth 20 per cent	19.8	21.1	19.3	21.9	20.2	23.0	21.1	21.8
Top 20 per cent	55.1	46.1	56.4	46.9	55.4	47.2	53.9	51.0
Top 10 per cent	39.4	30.1	41.0	31.1	40.0	30.0	36.9	34.4
Top 5 per cent	27.7	—	29.0	—	28.7	—	24.3	22.6
Index of quintile inequality	0.44	0.34	0.44	0.36	0.45	0.38	0.40	0.41
Gini coefficient	0.48	0.38	0.49	0.40	0.51	0.42	0.49	0.46
Mean income (current pesos)	1471	989	2427	1804	1203	2970	2541	1755
Index, current price	100	100	100	123	123	123	178	182
Index, constant price	100	100	100	111	110	111	126	130
Mean urban income/ mean rural income		2.45		2.47		2.51		2.08

Sources: National Census and Statistics Office, Family Income and Expenditure Surveys, 1956, 1961, 1965 and 1971.

### III. SOCIAL SERVICES AND LABOUR LEGISLATIONS

#### 1. Social Services

It has been pointed out under the section on public finance that about 40 per cent of the national Government current expenditures are allocated each year for social services purposes. The major portion, or 4/5, goes to education followed by health, labour and welfare. Among the developing countries, the Philippine Government has made outstanding achievements in education and there is even worry that the Filipinos have been over-educated and therefore frustrated when their expectations as related to their education attainments are not fulfilled. The emphasis on education has on the other hand made the provision of other types of social services appear inadequate and this is most obvious in social welfare.

#### Education

The structure of the Philippine education system is very similar to that of the United States: entry at the age of seven, followed by six years of free primary education and four years of fee-paying college education, leading, at the age of 17, to four and sometimes five years of fee-paying college education plus two or more years of post graduate training. Education participation rates, as proportions of the relevant age groups, are over 100 per cent in primary education, indicating enrolment of children less than seven and more than 12 years of age, but descend rapidly to 35 per cent in secondary education and 17.3 per cent in tertiary education. Student enrolment totalled 13,200,730 in 1975-76 (Table 6.3.1). A noteworthy point about the education system in the Philippines is that while practically all the children in primary education are enrolled in public schools, only 1/3 in secondary education are enrolled in publicly supported institutions, and in tertiary education the proportion is as low as eight per cent. It implies that while almost all children are able to benefit from primary education, secondary and tertiary education is mainly limited to those who can afford them.

The statement that the Philippines is a well educated country should be qualified in that it refers essentially to the urban districts. In rural

areas, not only do children usually leave school after completing primary education, the scarcity of textbooks and teaching aids in most villages have also greatly affected the quality of education offered. Another shortcoming of the Philippine education system is its failure to train sufficient middle-level technicians to meet the needs of the country for economic development. In 1969, President Marcos created a Presidential Commission to survey Philippine Education; it produced a report a year later entitled Education for national development: new patterns, new directions in which was proposed the establishment of post-secondary technical institutes to train potential technicians and technologists. An Education Development Projects Implementing Task Force was subsequently created in 1972 to implement the recommendations.

### Health Care

Communicable diseases still constitute the major health problem in the Philippines in spite of their relative decline in recent years. In 1960, communicable diseases accounted for 52.7 per cent of all deaths and of the ten leading causes of death in 1970, the first three were pneumonia, tuberculosis, and gastro-enteritis and colitis, all communicable diseases. The Government is now spending more than ₱200 million each year on health services and has been expanding them into rural areas.

The Department of Health is responsible for the administration of the wide range of health activities which include public health, disease prevention, curative and rehabilitative programmes, health and medical education services, and proper enforcement of the laws and regulations related to health and sanitation.<sup>20</sup> Major hospital services are provided in the cities while scattered all over the country, basic health services are provided through more than 2,000 Rural Health Units. Since 1970, family planning has been officially adopted as a regular service activity of the Rural Health Units, but the major activity of these Units is confined to the provision of maternal and child health services as more than seven million of the 20 million Filipino children are still affected by malnutrition.

The distribution, rather than the shortage, of medical personnel is the most serious problem in the administration of health services in the Philippines as they tend to concentrate in the more prosperous areas like Manila. To improve

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<sup>20</sup> The Philippine medicare programme will be discussed under the section on existing social security provisions.



the situation, emphasis has now been moved from hospitals and out-patient facilities to the development of small-scale clinics and there was increasing reliance on auxiliary and paramedical personnel so that services could be brought to the needy families.<sup>21</sup>

### Housing

The great bulk of housing construction in the Philippines has been carried out by the private sector and during the period 1948–72, only 13,500 units have been built by various Government housing construction projects.<sup>22</sup> In 1968 a National Housing Corporation was organised to carry out a massive housing construction programme through the prefabrication of housing components. It started operation in 1971 and although the aim was to produce various housing components for at least 12,000 dwelling units per year, only a small fraction, or about ten per cent, of the housing components had actually been made in the first year. In 1974, a Four-Year Housing Programme was launched to provide dwelling units for 1.2 million families at a cost of ₱4 million. A National Housing Authority has also been created in 1975 to absorb the housing and resettlement agencies into one central body.<sup>23</sup>

Both the Government Service Insurance System and the Social Security System operate housing programmes for their members. The GSIS started some land and housing development programmes in 1970, partly on its own, partly in collaboration with the private sector; the projects that have been designed and built were planned for families earning less than ₱400 per month. Besides these housing projects, the GSIS has long been making housing loans to its members. Loans were usually made for 10 to 25 years at a subsidised interest rate of six per cent for amounts of less than ₱30,000 and nine per cent for amounts above this figure. During 1962–72, 46,000 GSIS members have made

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<sup>21</sup> See 'The Philippine Social Security System' in Report on the ILO/NORAD Asian Regional Seminar on Social Security, National Economy and Planning, International Labour Office, Geneva, 1975.

<sup>22</sup> See Sharing in Development, p. 213.

<sup>23</sup> See Presidential Decree, No. 757. Furthermore, under Presidential Decree, No. 745, the Government offered wide-ranging incentives for the private sector to engage in housing. Firms which undertook the building of low-cost houses were granted tax exemption on income derived from the installment sales of houses to employees, or those derived from rentals. Other incentives included subsidy for a portion of the interest payment and guarantees given to entrepreneurs of reasonable profits from the sale of house and lots to employees or from their lease.

use of the loans whose average amount was about ₱23,000. The SSS operates similar loan schemes for its members and during the same period, about 31,000 loans have been made averaging ₱22,000. It has been estimated by the SSS that most loans go to families having incomes of ₱500–800 per month. In addition, low-cost housing units have been built by the SSS but so far the project has housed only a few thousand families.

Since both the GSIS and the SSS housing loans are confined to their members with stable income, little has been done to benefit the low-income families, especially the self-employed and unpaid family workers. Public housing policies in the Philippines therefore need new impetus from the Government and little can be expected of the GSIS and the SSS loan schemes as they confine their assistance to those relatively well off.

### Social Welfare

Social welfare services provided by the Department of Social Welfare and Development (DSSD) in the Philippines,<sup>24</sup> which only became a Government department in 1968, include supplementary material assistance to disaster victims, the sick, aged, and the destitute; the provision of employment and vocational training through self-help projects; transportation and cash assistance to victims of dissident operations; residential care and medical assistance to the destitute and sick; and social work services for families with social and emotional problems. These services are provided through regional offices, provincial and city branches, unit offices, community centres, rehabilitation centres and other institutions for children and persons with special needs.

The largest group of persons helped by welfare programmes were victims of natural disasters.<sup>25</sup> As the country is often struck by typhoons, earthquakes and other unpredictable disasters, the amount of assistance that may be needed each year fluctuates but it is not unusual for the number of victims to exceed several thousand. Besides cash and material assistance, a Food-For-Work programme is provided to engage people in community development projects such as repairing roads and school buildings. Another category of victims that may number over a

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<sup>24</sup> The Department was renamed Department of Social Services and Development (DSSD) on 8 September, 1976. See Presidential Decree, No. 994.

<sup>25</sup> See Department of Social Welfare, Department of Social Welfare Fights Poverty, Manila, undated.

million a year are those affected by the Muslim conflict in Mindanao. Assistance offered is the evacuation of people from the affected areas and their re-establishment in new communities. Besides these relief measures, the Self Employment Assistance Programme is another assistance programme operated by the Department. It is a small loan scheme with loans of ₱50–300 provided to those who can persuade the Department officers that they have found opportunities for self-employment. Each year, about ₱2 million is allocated for this purpose.

Rehabilitation services for the disabled and people with special needs such as drug addicts and ex-prisoners are still very limited. For the fiscal year 1975–76, about 230,170 disabled persons have been assisted but the range of services provided was mainly confined to a few training and rehabilitation centres.<sup>26</sup> More attention has in fact been given to the protection and care of pre-school children. The Department operates more than 3,000 day-care centres all over the country and for the fiscal year 1975–76, about 392,412 pre-school children were looked after. Education on nutrition for mothers is also a concern of these nurseries. Lastly, community development projects also form a part of the welfare programme in the Philippines. Specifically, the objective of the projects is to promote the development of communities for socio-economic progress through the utilization of community resources, better co-ordination and co-operation between national and local programmes, and the advancement of local community participation to solve their own problems.

## 2. Labour Legislations

Since the majority of employed persons in the Philippines are working in establishments classified as unorganised, i.e. without even a licence, labour organisation is weak and insignificant. The trade union movement has in fact never prospered in the Philippines and 'is beset by constantly shifting alignments, affiliations and disaffiliations which are based almost entirely on the personal rivalries and ambitions of union leaders.'<sup>27</sup> Thus, most legislations about labour welfare were initiated by the Philippine Government and have seldom been enacted as a result of labour agitations.

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<sup>26</sup> See Self-Reliance: Imperative to National Development, annual report of the Department of Social Services and Development for fiscal year 1975–76 and July 1976 – December 1976, Manila.

<sup>27</sup> John J. Carroll, 'Philippine Labour Unions', Philippine Studies, Vol. IX, No.2 (April 1961), pp. 244–245.

Compared with other developing countries, the Philippines is advanced in having extensive legislations safeguarding the welfare of the employed.<sup>28</sup> Areas covered by these legislations include: (1) prohibition of the employment of children under 14 years of age except in light employment; (2) rules governing the employment of children under 16 and under 18; (3) maternity leaves with pay; (4) the priority of wage claims in cases of insolvency and other wage-claim measures; (5) adequate notice in case of termination of employment; (6) measures safeguarding safety; (7) medical and dental treatment for employees; and (8) compensation in case of occupational injury and death.<sup>29</sup> Some of these legislations have been introduced very early while the Philippines was a colony of the United States, but their enactment has always been accompanied by a problem of enforcement. The adequacy of the labour legislations could not therefore be assessed on surface but must be evaluated against the number of employees actually affected. Except for those employed in Government service and in large firms, these legislations have in fact never been effectively applied, especially among those working in the remote countryside away from the administrative centres.

On the whole, social services provisions in the Philippines compare favourably with other development countries but as in all places with great inequality, those who benefit most from the services are often the already well off who are living in urban areas. Those in greatest need of the provisions are, on the other hand, usually deprived of access to their use. To redress the situation does not merely need an increase in the range and quantity of social services but the institution of a system that would ensure fair distribution. This equally applies to the enactment of legislations protecting labourers for which the most important step should be to extend them to those who have hardly ever been reached. Had it not been for the ineffective enforcement, social legislations in the Philippines should have already been rather comprehensive and adequate.

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<sup>28</sup> See Romeo V. Isidro, Philippine Labour Laws, National Bookstore, Manila, 1972.

<sup>29</sup> The administration of the Workmen's Compensation Act has since November 1974 been transferred from the Department of Labour to the Social Security System. It will be further described under the section on existing social security provisions.

#### IV. DEVELOPMENT OF SOCIAL SECURITY POLICIES IN THE PHILIPPINES

If social security is to include any cash programme whose aim is to provide relief for the poor and those in need, the Philippines has a long history of such concerted action. The religious orders and individual missionaries who came to the Philippines following the Spanish conquests of the Islands in the Sixteenth Century practised alms-giving and other forms of charity as part of their effort to proselytise the natives. Although assistance to those in dire want was not yet formally organised, it was regularly doled out by churches, convents, and wealthy families; these practices continued right into the advent of the Second World War.

Organised programmes of assistance to the needy came with the American conquest when charity entirely administered by religious missions was no longer considered satisfactory by the new regime. In 1915 a Public Welfare Board was established to co-ordinate all public and private efforts in social service work. Some civic-minded Manila residents also thought the alms-giving was a responsibility of the whole community. An Associated Charities of Manila was subsequently organised in 1917 and relying in the beginning on the contributions and donations of private individuals and groups, it organised not only material relief but also placement services for the unemployed. Twenty-four years later, in 1941, the Associated Charities was taken over by the then American colonial Government to serve as the nucleus of the 'Public Assistance Service' of the Bureau of Public Welfare. Thus, before 1941, although the bulk of material assistance was handled by voluntary organisations which included the churches, convents and some civic associations, some attempt had already been made to rationalise the system. The short life-span of the 'Public Assistance Service', which lasted only six months before the outbreak of the Second World War, made it impossible to introduce any new programmes, and public assistance at that time was still mainly financed by private donations and the Philippine Charity Sweepstakes.<sup>30</sup>

The liberal influence of the Americans was felt in another area which had an even greater bearing on the development of social security in the Philippines. An Employer Liability Act, which covered the protection of the working men in injuries and deaths, was enacted in the Philippines as early as

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<sup>30</sup> For a discussion on the development of social welfare in the Philippines, see Leonora S.de Guzman, The Philippines' Social Welfare Administration, A Historical Account of its Formation, Social Welfare Board, Manila, 1965.

1908. The Act was amended in 1927 to become the Workmen's Compensation Act. Patterned after similar compensation acts of Minnesota and Hawaii, the Act recognised accidents in employment as being inevitable and provided a systematic schedule and speedy payment of benefits to the injured workers or their dependents in case of death. The Act had since 1927 been amended many times and was enlarged both in scope and coverage. However, ever since its first enactment in 1908, opposition from employers to provisions of the Act had never ceased. To them, the Act had been an imposition from the Americans and was unrelated to the need of the local situation. Anyway, wage earners in the Philippines at the turn of the present Century were few in number and most of them were in fact working for the then colonial Government. The private sector with a small number of employees naturally felt threatened and was on the whole unaware of the significance of the provisions of the Act. Thus, the Workmen's Compensation Act, though a pioneering step in social security in the Philippines, remained rather insignificant for half a century before it was extended to make any effective impact on the condition of the employed.

Other social security schemes introduced before the independence of the Philippines in 1945 included two pension plans and the Government Service Insurance System (GSIS).<sup>31</sup> The two pension plans were the Teachers' Pension Plan and the Sanitary Health Inspectors' Fund. Both of them were non-contributory and financed entirely from Government funds. They represented an attempt of the Government to provide income security for the old age of the employed but because of the unanticipated onerous burden these schemes placed on the general fiscal position of the Government, they were shortly discontinued. The GSIS was an earlier attempt of the then Government to set up a social security system for its own employees. Despite its limited coverage, the GSIS was a new venture, being almost the first insurance scheme ever introduced in the South-east Asian region. It was already very comprehensive in the range of benefits provided, ranging as they were from death grants to disability allowances. The scheme would probably not have been introduced had the Philippines not been ruled then by the United States which had just enacted a social security act in 1935. However, the GSIS was administered on the principle of private insurance, the members receiving largely their own contributions. The concept of social insurance, based on the 'pooling of risks' principle, was still a novelty even in the developed countries and it was after the Second World War that the Philippines had schemes akin to what is presently known as social insurance.

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<sup>31</sup> See 'The Philippine Social Security System' in Report on the ILO/NORAD Asian Regional Seminar on Social Security, National Economy and Planning, International Labour Office, Geneva, 1975.

When the Philippines became a Republic after the War, relief distribution was largely handled by the United States Army which brought in heavy loads of material supplies. Other agencies which also handed out large quantities of material relief included the United Nations Relief and Rehabilitation Administration and the Philippine Trade and Relief Administration.<sup>32</sup> In order to co-ordinate the various relief programmes, a Social Welfare Commission was created in 1947 and was placed under the Office of the President.<sup>33</sup> The Commission was in operation for four years and was later replaced by the Social Welfare Administration in 1951.

When the Social Welfare Commission was established in 1947, it had a very small budget of less than ₱1 million as relief distributed came mostly from private or overseas donations and contributions.<sup>34</sup> At almost the same time, in 1948, a President's Action Committee on Social Amelioration was established charged primarily with the task of carrying out a programme of socio-economic reforms in the rural areas. The Action Committee had a larger appropriation than the Social Welfare Commission and programmes embarked on were not confined to social welfare but covered a wide range of projects from education to health. This approach adopted by the Action Committee was a precedent of the community development programmes which now represent a main thrust of the Government to eradicate the backwardness of the rural areas. It indicated that even in the early 1950s when relief was available in large quantities from overseas, the Government had not been satisfied with just handing out assistance. Some form of socio-economic reforms was considered indispensable if people were ultimately to stand on their own feet. The present Self-Employment Assistance Programme administered by the Department of Social Services and Development in which small loans are made to people who wish to make an independent living is a continuation of this policy. If implemented effectively on a large scale, especially in countries with inadequate resources, this kind of development programmes would definitely be more appropriate as poverty reduction programmes than merely handing out cash relief. On the other hand, if loans were abused and profits channelled into the hands of a few, the aim of redressing the unequal distribution of resources would utterly be thwarted. It was largely because of faulty administration that the President's Action Committee on Social Amelioration soon flopped after operation for a few years.

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<sup>32</sup> The distribution of supplies brought in by the United Nations Relief and Rehabilitation Administration was handled by the Philippine Relief and Rehabilitation Administration.

<sup>33</sup> See Pham Ngoo Tung, Social Legislation Concerning Financial Assistance in Certain Contingencies in the Philippine Setting, a MSW Dissertation, Institute of Social Work and Community Development, University of the Philippines, 1973.

<sup>34</sup> See Leonora S. De Guzman, Social Welfare Planning in the Philippines: A Case Study, United Nations Economic Commission for Asia and the Far East, Bangkok, 1969.

Side by side with the administration of general relief, the problem of the protection of workers in the private sector was another concern of the Philippine Government after the War. In 1949, a social security adviser, Mr. Maurice Stack, was invited from the International Labour Office to advise on the development of social security in the Philippines. The recommendation of Mr. Stack was the provision of social security, based on the commercial group life insurance principles, for workers in the private sector.<sup>35</sup> It was also suggested that implementation be gradually undertaken on a 'pilot plan' approach. In other words, the proposal meant an expansion of the GSIS.

Based on the recommendation of the ILO adviser, a Social Security Act was passed in 1954, providing for the protection of workers in the private sector in the event of death, disability, sickness, old age, and unemployment. Benefits provided by the Act followed the principle of individual equity with each receiving his own contributions. However, owing to an argument that the system should be operated countrywide and not on a pilot project basis, the Act was not implemented until 1957. Subsequent amendments of the 1957 Act included the elimination of unemployment and the reduction, from ten to two, of the number of years of coverage required for retirement pension.

The implementation of the Social Security Act in 1957 benefited mainly those in steady employment while assistance for the destitute remained a problem unsolved. In 1955, a five-year-economic development plan for the fiscal years 1955–1959 was published, in which the Government acknowledged that

The proper care of the destitute, the unfortunate victims of calamities and dissidence, and others not in a position to take care of themselves or to be taken care of by relatives and friends, is a responsibility of the State.<sup>36</sup>

More than ₱27.5 million, out of a total of ₱47.7 million recommended for the expansion of the Social Welfare Administration, were earmarked for public assistance. The sum, however, had never actually been appropriated and Government's acceptance of the responsibility to provide for the destitute remained a promise on paper. A second plan was soon formulated entitled The Economic and Social Development Programme for Fiscal Years 1957 to 1961, but the issue of providing for the destitute

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<sup>35</sup> See Report on the ILO/NORAD Asian Regional Seminar, *op.cit.*, p. 168.

<sup>36</sup> The plan was popularly known as the Rodriguez Plan. See Government of the Philippines, Five-Year Economic Development Plan, 1955–1959, p. 38.



was not discussed in detail except that income-producing self-help projects would be established so as to substantially reduce the need for public assistance. Notwithstanding the reluctance of the Government to expand public assistance, disaster relief remained the biggest item in the allocation of funds for social welfare. This situation has not changed very much throughout the 1960s and in the Socio-Economic Development Programme for fiscal years 1967-1970, popularly known as the Marcos Plan, the purpose of social welfare was reiterated as 'to protect the individual against the economic and social disasters with which he is unable to cope by himself alone.'<sup>37</sup> Though the plan assigned to the Government the major responsibility for establishing and maintaining a comprehensive programme of assistance to counteract the economic and social vicissitudes, it stressed that public assistance should be diversified to emphasize its rehabilitative and preventive functions. The public assistance programme, now forming part of disaster relief, may in addition to the distribution of cash and material aid, be carried out in the form of community welfare, family welfare, and institutional care for adults.<sup>38</sup> The existing community welfare programme consisting of preventive and developmental services aims at assisting communities to develop and make use of available resources; the family welfare programme involves additional help to families dependent on assistance. However, despite the continuing recognition of the necessity to provide people with the basic living requirements, expenditure on social welfare including relief has never exceeded one per cent of the national budget; and a substantial proportion of assistance distributed still come from overseas donations.

Although an adequate public assistance programme was still lacking, both the GSIS and the SSS continued to grow in scope and coverage. In 1960, the Social Security Law was improved by increasing the amount of benefits to a level approaching the minimum standards set by the 1952 ILO Geneva Convention.<sup>39</sup> Another significant development was achieved in 1971 when the Medicare Law was passed providing medical care benefits to members of the SSS and the GSIS.<sup>40</sup> However, it was during the few years after the declaration of the martial law in September 1972 that radical changes were introduced in the Social Security System and they included: (1) pension payments for invalidity instead of the lump sum payments; (2) payment of funeral grants for all members including those who have already been receiving retirement pensions; and (3) survivors' benefits in the form of pensions

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<sup>37</sup> Leonora S. de Guzman, op.cit., p. 27.

<sup>38</sup> For a discussion on community development programmes in relation to social welfare, see The Philippine National Committee of the International Council on Social Welfare, Report to the XVth International Conference on Social Welfare, Manila, 1970.

<sup>39</sup> See International Labour Organisation, Convention on Minimum Standards on Social Security, Geneva, 1952.

<sup>40</sup> See 'Medicare Programme of the Philippines', in Social Security Series for Asia and Oceania No.4, International Social Security Association, Geneva, 1973, pp. 5-7.

for surviving children. These radical changes naturally entailed an increase in payments which jumped from ₱64 million in 1972 to ₱163 million in fiscal year 1976.<sup>41</sup> In order to correct the actuarial imbalance resulting from increased expenditures, a slight increase in the contribution rates from 6 per cent to 7 per cent was made. But though the Social Security System has been very much improved, it still only provided income protection to those in steady employment who numbered at the end of 1976 about 5.5 million, just over 1/3 of the total working population in the Philippines.

The development of the Philippine social security system clearly took two different forms: one for those in regular employment and one for those in poverty or affected by disasters and calamities. Income protection schemes for the regularly employed developed early in the Philippines and the Social Security System enacted since 1957 is one of the earliest social insurance schemes introduced in the Southeast Asian region. The ready acceptance of social insurance is rather surprising in a developing country like the Philippines with a large rural population. But it should be remembered that an insurance scheme for public servants had existed in the Philippines even before the Second World War and that the coverage of the scheme introduced in 1957 was largely confined to those in steady employment, a group not only mainly living in urban areas but also more susceptible to Western influence.

On the other hand, despite repeated recognition by the Government of the responsibility to provide for those unable to care for themselves, a system to guarantee a minimum living standard has never been devised. Calamities which the country so often suffers because of natural disasters or internal dissident conflicts have added to the difficulty in maintaining a scheme that adequately provides for the destitute. Strategies have thus been adopted to administer schemes that aim primarily at rehabilitating families through the granting of small loans, or to provide material assistance when situations are really desperate. This may be the best a developing country could do with widespread destitution and extremely unequal distribution of resources.

The administration of different social security schemes for different groups of persons has of course its logic and justification, but it implies that existing inequalities will be magnified rather than reduced. It means also that in the Philippines, social security arrangements are merely reflections of the existing structure of the society, and have not been devised to achieve the general objectives of a social security system to lessen conflicts and social injustices.

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<sup>41</sup> The figures were taken from the annual report of the Social Security System for the year ending December 31, 1976.

## V. EXISTING SOCIAL SECURITY PROVISIONS IN THE PHILIPPINES

The social security system in the Philippines may be broadly summed up by the following programmes: (1) the Self-Employment Assistance Programme; (2) the Workmen's Compensation Scheme; (3) the Government Service Insurance System; and (4) the Social Security System. Cash assistance for victims of natural disasters may also be counted but since the amount distributed varies with the degree of calamity, it is excluded from the regular social security service.

### 1. Self-Employment Assistance Programme (SEAP)\*

This Programme aims to help families with financial assistance, but it is usually limited to ₱300 per family. The families receiving the loans must use it to set up some type of income-producing projects. Along with this, the Department of Social Services and Development also provides the dependent families with general family services such as family life education and referral for clinical service. Eligibility is decided through a vigorous means-test which ascertains that the total income of all earning members of a family do not exceed a certain amount. (The allowance is computed by first finding out the current cost of a ganta of rice and then multiplying the cost by the formula number of 29 and the number of family members). The period of assistance is usually confined to two or three years or even a few months.

Besides the SEAP, the Philippine Government also provides general assistance for families in dire want. Nevertheless, like the SEAP, it is also very inadequate<sup>42</sup> and could in no way be taken as a measure to guarantee the basic living requirements for the Filipinos. Although the Government recognised its responsibility to 'provide a comprehensive programme of social welfare services designed to ameliorate the living conditions of distressed Filipinos particularly those who are handicapped by reason of poverty',<sup>43</sup> with limited resources and widespread underemployment, it is still a long way before this could be achieved in the Philippines. The main objective of the SEAP is thus not so much to eliminate poverty as to assist certain families demonstrating potentials to stand on their feet and abilities to start income-producing projects such as simple vending, backyard gardening, and poultry raising. In the sense that the SEAP is a regular

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\* The Programme has variously been known as the Socio-Economic Advancement Programme or the Aid to Family in Economic Distress Programme.

<sup>42</sup> For FY 1975-76, 153,832 families were reported to be recipients of the SEAP. See Department of Social Services and Development, Annual Report, 1975-76, Manila, p. 7.

<sup>43</sup> Social Welfare Act, 1968, Section 2.

programme to assist people in poverty by granting loans, it is regarded as part of the Philippine social security system. However, the SEAP is in no way comparable to public assistance programmes in most developed and developing countries that have the aim of providing people with the basic living requirements.

## 2. Workmen's Compensation

From 1 January, 1975 onwards, compensation for employees in the private sector in the event of work-connected disability or death has been administered by the Social Security System.<sup>44</sup> Excluding workers in the private sector, casual employees, domestic servants and unpaid family workers, the scheme now practically covers all employed persons. The finance of the Scheme is the responsibility of the employer who contributes one per cent of the monthly salary credit of all employees employed by him to the Social Security System; contribution from the employees is not necessary. Minimum qualifying periods have been waived.

The kinds of benefits to which the injured employees are now entitled include temporary disability benefit, permanent disability benefit, medical benefits, and widow's and orphans' pensions. The cash benefit for temporary disability is equivalent to 90 per cent of the employees' average earnings but not less than ₱2.50 nor more than ₱16. It is payable from the first day of disability for up to 120 days; a 3-day waiting period is, however, necessary if due to sickness. For permanent disability, the cash benefit, also equivalent to 90 per cent of the employees' average earnings, is payable beginning from the month in which the disability is incurred for up to five years or until payments total ₱12,000. In the event of partial disability, the cash benefit also begins from the first month of the disability but the period of payment is determined by the degree of disability. For example, the loss of one thumb will entitle a worker to 8-months benefit payment. Injured employees are also entitled, besides cash benefits, to subsidised medical, surgical, and hospital services, as well as appliances. If the injury results in death of the employee, a lump sum death benefit equivalent to 30 times his monthly average earnings or ₱6,000 whichever is less, is payable to dependents of the deceased. A funeral grant of up to ₱750 is also payable. Provisions are made, furthermore, for pensions to be paid to the widow and orphans of the deceased. The widow's pension is equivalent to 45 per cent of the employee's monthly average earnings and is payable for up to five years; ten per cent of the widow's pension is also payable to each of the five youngest children of the deceased for up to five years or when they reach 21 years of age.

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<sup>44</sup> See Presidential Decree, No. 622.

Workmen's compensation is the first social security scheme introduced in the Philippines and it has since been expanded both in scope and coverage. Though casual and unpaid family workers are still excluded, the coverage is broad enough to include most of the employed workers. Enforcement of the law of course remains a problem as small establishments with several employees are numerous in the Philippines. But administration should be better since its integration with the Social Security System. As a developing country with the majority of its workers working in the farms, workmen's compensation in the Philippines is already well advanced.

### 3. Government Service Insurance System (GSIS)\*

The Government Service Insurance System was established in 1936 to promote the efficiency and welfare of the employees of the Philippine Government.<sup>45</sup> Even today, the System is operated very much like a private insurance scheme. It also includes a wide range of activities from small salary and policy loans to big home consumption loans, from yearly dividends to low-cost housing projects and from life insurance benefits, retirement on gratuities and annuities to property insurance benefits. Membership of the System is compulsory for all permanent Government employees and members of the Armed Forces; at the end of the fiscal year 1971–72, membership for life insurance and for retirement insurance was 665,752 and 553,475 respectively. Since the GSIS is operated like private insurance, no uniform contribution is required of members; benefits each member may receive also vary. However, beneficiaries or policy holders of a Government employee upon his death are usually entitled to the following life insurance benefits: (1) proceeds of matured policies; (2) death benefits including double indemnities for accidental death and (3) cash surrender value, collectible upon separation from service prior to the maturity of these policies. From fiscal year 1936–37 to fiscal year 1971–72, life insurance benefits paid by the System totalled approximately ₱563 million.

Since 1952, retirement insurance payments have been made available to Government employees. (For fiscal year 1971–72, ₱121.3 million were paid.) They are paid to Government employees upon retirement, usually at the age of 65 and with at least 15 years of service, in the form of lump sum payments for up to five years. Arrangement can be made for a retired Government employee

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\* As a rule, social security schemes specially designed for public servants will not be discussed in this Thesis. The GSIS is only described here for its comparability with the SSS provided for the general public.

<sup>45</sup> The GSIS was established by Commonwealth Act, No. 186.

to receive retirement benefits in the form of monthly annuity for as long as he lives. Besides the retirement insurance payments, property insurance benefits, policy loans, salary loans and real estate loans may also be granted, as well as scholarships to children of GSIS members (Table 6.5.1). The GSIS is administered by a head office in Manila and more than 15 regional offices or agencies are located throughout the country. Since 1972, the System also administers for its members the Medicare programme.

#### 4. Social Security System

The SSS is the most important social security scheme in the Philippines and covers practically all non-government employees with the exception of domestic servants in private homes and agricultural workers who are not paid regular daily wages or employed for less than a continuous period of six months in a year. The total membership of the SSS as reported at the end of 1976 was 5,586,511 (Table 6.5.2). Since less than 40 per cent of the labour force are wage earners, taking account of those in Government service, it suggests that the maximum possible coverage has been achieved by the SSS. Two main types of benefits are provided for by the SSS: one covers sickness, old age, invalidity and death; the other medical benefit and maternity. Benefits totalling ₱103 million were paid during 1976 (Table 6.5.3).

The SSS is financed by contributions of the insured and their employers, with the Government meeting the deficits.<sup>46</sup> For sickness, old age, invalidity and death, the rate of contribution for the insured person is 2.9 per cent of his monthly average earnings, according to ten wage classes; his employer pays 4.1 per cent, also according to ten wage classes. The maximum earnings for contribution and benefit purposes is limited to ₱1,000 per month and there are reductions for low-wage employees as well. For medical benefits (also generally known as the medicare) contribution comes from the insured person, the employer as well as the Government, with the rate for each fixed at 1.25 per cent of the insured person's monthly average earnings, according to six wage classes. The maximum earnings for contribution purposes is fixed at ₱300 a month. The employer is responsible for paying to the SSS both his contribution and that of his employees; he is entitled to deduct the contributions of his employees from their wages.

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<sup>46</sup> For details of the contribution rates, see Social Security Law, 1973, section 18.

Under the system, the conditions for retirement pensions are attainment of the age of 60, the payment of 120 monthly contributions and retirement (persons first covered and over 50 years of age before 1962 must have their months of contribution equal to the number of months below age 60 when first covered, with a minimum of 24 months). Between the ages of 60 and 65 monthly earnings of ₱250 or more are regarded as inconsistent with retirement. The rate of pension is 45 per cent of the first ₱300 of average life-time monthly earnings (or of earnings during the last five years, if higher), 25 per cent of the next ₱300, plus 9 per cent of the remainder. An increment of 1/10 of one per cent of average earnings per month of contribution beyond 120 months is paid and the minimum pension is to be not less than ₱51.75 a month. A member who does not satisfy the contribution conditions may receive a refund of all the employer and employee contributions.

In order to be eligible for cash sickness benefit, a member must have contributed for 12 months, including one month in the last year; confinement in hospital, or elsewhere with administrative approval, for more than five days because of sickness or injury, is necessary. The rate of benefit, being 85 per cent of the average daily wage of the six highest months during the year, with a minimum of not less than ₱2.50 a day and a maximum of not exceeding ₱16, is payable after a 7-day waiting period (except for injury or acute disease), for up to 120 days in a calendar year. Medical benefits which include limited reimbursement for general and specialist care, hospital care, laboratory and X-ray fees, surgery, and medicines, are available to insured members, and their dependents, who have satisfied the condition of having contributed for three months within the last 12 months before the first day of confinement<sup>47</sup> (Table 6.5.4). In addition to medical benefits, a female employee is also entitled to 100 per cent paid maternity leave two weeks before and four weeks after confinement provided that she has been employed for six months in the last 12 months. No previous contribution is necessary as employers are required by law to pay the wages.

If an insured person becomes disabled, but not arising out of an occupational nature, he is entitled to an invalidity pension which is equivalent to a retirement pension; he must, however, have at least 36 months of contribution. If the 36 monthly contributions test is not satisfied, a lump sum is paid. This is calculated according to a complex formula with a set of alternative provisions

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<sup>47</sup> For details of the medicare programme in the Philippines, see The Philippine Medical Care Act, 1969 (Republic Act 6111), Social Security System, Quezon City.

which should not be less than ₱500. Since 1 January, 1974, a survivor grant has been introduced in the case of the death of an insured member or a pensioner who has drawn his pension for less than five years. The survivor grant is a lump sum equal to 12 highest months' earnings during the last 36 months (or average lifetime monthly earnings, if higher) and is payable to designated beneficiaries of the deceased insured person. In addition, orphans' pensions, equal to 20 per cent of the pension to which the insured person is entitled is payable to the five youngest children under the age of 21. A funeral grant of ₱750 is also granted. If an insured person has contributed for more than 120 months, an increment of  $\frac{5}{12}$  of one per cent of the grant per month for the additional months is payable. The survivor grant should also be not less than ₱500.

In addition to the above benefits, a number of loans are also operated by the SSS for its members. They include the education loans, housing loans, investment incentive loans, and small and medium scale industry loans. Housing loans are the most important, accounting for more than  $\frac{3}{4}$  of the total loans made to members each year. The SSS is administered by a chief executive officer known as the Administrator, who is directly responsible to the President's Office. The general direction of the SSS is, however, controlled by a SS Commission composed of the Secretary of Labour, the SS Administrator and six appointed members, two each representing the labour group, the employer group and the general public. A Medical Care Commission has also been set up to supervise the general administration of the medical benefits provided for under the SSS.

The SSS in the Philippines is a complicated operation but after development for 20 years, it has now succeeded in providing the majority of the wage earners with income security for risks that are usually covered by a social insurance scheme. The benefits presently provided by the SSS are still far from adequate, as only lump sums are being granted in some situations, but they perform an important function for those in steady employment, offering them at least a source of income in situations of sickness, disability and death. The SSS, as it is patterned largely after the American model, is based on an individual equity principle, with members receiving roughly their own contributions. The effect on income redistribution, especially along the vertical line from top to bottom, is thus minimal. Another defect of the SSS is its restriction to the steadily employed, often excluding the persons who need such kinds of income protection most.



Over the years since its establishment in 1957, the expenditure pattern of the SSS has changed drastically. Up to the late 1960s, sickness benefits was the largest item in funds distributed followed by death, retirement and disability (Table 6.5.5). Since the early 1970s, there was a rapid increase in expenditure on retirement benefits which have now taken the place of sickness benefits as the major item. This increase would probably continue as more members are now reaching the age of retirement. Hence it would not only be increasingly difficult for the SSS to meet the rising demand on its funds without corresponding increase in contribution rates, there would also be relatively less money available for investment purposes from now on.

Table 6.5.1 GSIS Benefits Payments  
(₱'000)

Fiscal Year	Kinds of Benefits				Total
	Life Insurance	Retirement Insurance	Property Insurance	Miscellaneous	
1968-69	50,570	78,918	12,747	26,784	169,019
1969-70	56,630	85,601	12,490	28,687	183,408
1970-71	63,517	126,613	14,495	31,672	236,297
1971-72	74,418	121,296	15,980	36,853	248,546

Source: Government Service Insurance System, Annual Report, 1971-72, Philippines.

Table 6.5.2 Coverage of the Social Security System

Year	Employees	Employers
	Total at end of year	Total at end of year
1957	224,156	1,094
1958	377,050	9,745
1959	401,769	10,956
1960	484,272	28,833
1961	603,691	37,958
1962	747,988	47,426
1963	947,474	54,820
1964	1,109,313	60,373
1965	1,309,197	64,276
1966	1,519,572	67,550
1967	1,768,222	73,478
1968	2,085,458	83,001
1969	2,329,315	88,064
1970	2,574,005	92,218
1971	2,836,462	93,846
1972	3,100,964	96,498
1973	3,917,520	133,405
1974	4,278,790	145,952
1975	4,908,464	168,018
1976	5,586,511	184,903

Source: Social Security System, Annual Report for Year Ended December 31, 1976, Quezon City, Philippines, p. 13.

Table 6.5.3 Operation of the Social Security System

(₱'000)

Year	Contributions	Benefit Payments	Operating Expenses	Year end Reserves
1957	6,582	75	527	6,230
1958	26,877	778	2,133	30,779
1959	39,030	1,772	3,563	67,626
1960	45,923	2,988	3,668	110,078
1961	59,207	4,581	5,448	164,479
1962	65,190	6,423	6,277	224,176
1963	74,886	7,937	7,221	293,197
1964	85,850	10,848	9,345	371,906
1965	97,429	14,116	10,476	465,482
1966	114,832	18,317	12,293	576,960
1967	123,786	28,301	19,484	690,144
1968	140,878	37,573	21,010	814,589
1969	151,943	43,640	23,142	953,691
1970	168,831	48,896	24,335	1,116,215
1971	202,021	55,020	28,917	1,315,922
1972	226,358	63,954	30,240	1,548,790
1973	382,535	90,559	42,617	1,925,022
1974	431,169	130,266	46,724	2,350,727
1975	520,919	148,292	53,571	2,960,379
1976	613,975	163,159	60,903	3,651,635

Source: Ibid., p. 16.

Table 6.5.4 Operation of the Medicare

	1976	1975
Revenues	<u>₱154,416,290</u>	<u>₱134,789,985</u>
Contributions	140,661,712	122,025,039
Investment earnings	13,754,578	12,764,946
Benefit Payments	<u>₱161,700,758</u>	<u>₱126,487,216</u>
Hospital charges	110,946,857	85,148,411
Drugs and medicines	1,067,474	807,270
Medical/surgical fees	49,686,427	40,531,535
Reserves as of December 31	₱119,228,160	₱130,303,343
Investments on December 31	₱115,316,000	₱144,856,000
Assets as of December 31	₱124,352,169	₱136,563,360
Number of claims filed	<u>666,510</u>	<u>550,798</u>
Member	233,450	200,254
Dependent	433,060	350,544
Number of claims paid	<u>666,916</u>	<u>524,852</u>
Member	228,819	192,432
Dependent	438,097	332,420

Source: Ibid., p. 21.

Table 6.5.5 Distribution of Benefits of the Social Security System

(₦'000)

Year	Retirement	Sickness	Disability	Death	Total	Cumulative Total
1957	0	0	1	74	75	75
1958	0	14	117	646	777	852
1959	5	199	320	1,248	1,772	2,624
1960	87	689	454	1,758	2,988	5,612
1961	263	1,453	625	2,250	4,581	10,193
1962	550	2,028	957	2,888	6,423	16,616
1963	1,001	2,556	1,050	3,330	7,937	24,553
1964	1,725	3,583	1,217	4,323	10,848	35,401
1965	2,383	5,365	1,190	5,198	14,116	48,617
1966	3,925	6,733	1,224	6,435	18,317	67,834
1967	6,783	12,693	1,231	7,594	28,301	96,135
1968	10,865	16,130	1,618	8,960	37,573	133,708
1969	13,502	19,026	2,241	8,871	43,640	177,348
1970	16,549	19,118	2,579	10,650	48,896	226,244
1971	20,566	18,388	3,384	12,682	55,020	281,264
1972	24,693	21,851	3,867	13,543	63,954	345,218
1973	42,061	29,355	5,439	13,704	90,559	435,777
1974	56,337	42,064	6,677	25,188	130,266	566,043
1975	67,188	42,094	7,688	31,322	148,292	714,335
1976	<u>82,076</u>	<u>44,613</u>	<u>8,394</u>	<u>28,076</u>	<u>163,159</u>	<u>877,494</u>
Total	350,529	287,952	50,273	188,740	877,494	

Source: Ibid., p. 14

## VI. AN EVALUATION OF THE SOCIAL SECURITY POLICIES IN THE PHILIPPINES

Social security has a long history in the Philippines; some schemes can be traced back to the beginning of the present century. The influence of the United States is one of the early factors that has shaped the development of the Philippine social security system and without it, probably neither the Government Service Insurance System nor the Social Security System would have been introduced. Also because of the American domination, the concept of income security has been known at an early date to the Philippine officials, although it might not have been understood by all Filipinos. However, despite its long history, there are still questions about the Philippine social security system which need to be answered. Is the present system an attempt to reduce poverty in the Philippines? Does the present system aim at redistributing resources from the 'haves' to the 'have-nots'? Have the Filipinos been adequately provided for by the present arrangement? To what extent is social security an answer to the development problem now faced by the country?

The Philippine social security system is presently composed of the following four main components: public assistance, workmen's compensation, the GSIS and the SSS. Public assistance, broadly defined, including the Self-Employment Assistance Programme and general assistance to victims of natural disasters, accounts for only a small percentage of the national expenditures; it may thus be ignored as it is negligible when compared with the expenditures of the entire social security system, although its value for the recipients would probably be considerable. Also, it has been pointed out that public assistance in the Philippines does not have the function of guaranteeing a basic living standard; it is thus transient, short-term and serves mainly the purpose of tiding needy families over emergency periods or assisting them to lead an independent life again.

The absence of a programme to provide Filipinos with the minimum living requirements does not imply that the Government is unaware of the problem of poverty or that it does not exist in the Philippines. Some attempts have been made to assess the extent of poverty and have found it to affect as many as 70 per cent of the total population.<sup>48</sup> Poverty is a common phenomenon in the

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<sup>48</sup> The estimation was given in the 1974-75 annual report of the Social Welfare Department. See Department of Social Welfare, Strategies in Social Welfare for Development, annual report of the Department of Social Welfare for fiscal year 1974-75, Manila, p. 8.

Philippines, especially among those living in the rural areas, and most farmers are actually living below the subsistence level. To redress this situation would demand great determination and effort from the Government and nothing less than a structural reform of the entire society would be effective. It has been seen that income distribution is extremely unequal in the Philippines. This is in fact one of the crucial factors causing the poverty of many Filipinos. A fairer distribution of incomes and resources would be the answer to the problem of widespread poverty but such measures are bound to be resisted by those who 'have'. Moreover, any government of a developing country would be hesitant to impose a heavy demand on the resources of the wealthy, especially when capitals are needed to develop the economy of the country. Hence, the Philippines is faced with a dilemma of having to choose between a rapid economic growth, depending therefore on the ready supply of local and overseas capitals, and a more balanced and equitable distribution of resources, but with a slower economic growth rate.<sup>49</sup> Ideally, it is most desirable to have the best of two worlds; but to strike a balance is not always easy. In the case of the Philippines, national policies before the 1970s have been aimed at developing the industrial infrastructure of the country by relying on foreign investments; the result is a concentration of capital-intensive industries controlled by overseas investors. On the other hand, employment in manufacturing has remained stagnant over the last two decades, amounting to a mere 12 per cent of the whole labour force. The wealth created by new industries has also largely flowed into the pockets of the investors. How to maintain a rapid economic growth and at the same time fairly distributing the accrued wealth is now the most pertinent question the Philippine Government has to answer.

Land reform is an attempt of the Philippine Government partly to solve the problem of income inequality and partly to allow farmers a greater share of the returns of their efforts.<sup>50</sup> The land reform programme introduced since the Martial Law is considered the cornerstone of the New Society.<sup>51</sup> Under this

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<sup>49</sup> See George L. Hicks and G. McNicoll, Trade and Growth in the Philippines: an Open Dual Economy, Cornell University Press, Ithaca, 1971.

<sup>50</sup> See Agricultural Land Reform Code, Republic Act No. 3844, 1963.

<sup>51</sup> See Asia Yearbook, 1976, Far Eastern Economic Review, p. 263.

programme, the nation's 900,000 rice and corn tenant farmers are to receive certificates of land transfer if their landlords own seven hectares or more of rice or corn land. After receiving the certificate, it is then up to the tenant and his landlord to arrive at a fair valuation of the land. This accomplished, the landlord can take his payment either in bonds from the Government's Land Bank, or in instalment payments from his tenant. In either case, the tenant is committed to pay his debt to either his former landlord or the Government in 15 annual payments.<sup>52</sup> Also, to assist the farmers to help themselves, the Government has introduced the 'Masagana 99' programme\* of supervised credit, provision of seeds and fertilizers, and advice. The programme operates at the local level through rural banks and municipal action committees. Part of the loan provided by the programme is in cash, for land preparation and transplanting, and partly in chits, to be presented to dealers for prescribed amounts of seeds, chemicals, fertilizers, and pesticides. The objective of the programme is thus not merely to enable farmers to obtain unsecured loans but also to encourage them to use particular kinds of inputs and to adopt elementary principles of co-operation. On paper, the land reform programme is a thorough one and, if carried out effectively, would greatly enhance the position of the farmers. However, like other laudable programmes introduced in the Philippines, land reform has not achieved the purpose of eradicating poverty among farmers though it has already been in operation for several years. As of October 1975, 183,647 tenant farmers had been issued certificates of land transfer but only 15,000 of them had become amortising owners, according to a World Bank Report.<sup>53</sup> As for the 'Masagana 99' programme, less than 50 per cent of the 1974-75 borrowers had repaid their loans by May 1975 and 17 per cent of the 1973-74 borrowers were still in default.

There also exist in the Philippines other programmes that, if effectively implemented, may narrow the gap between the rich and the poor. Education is one of the examples. On the whole, Filipinos are well educated and compare favourably in this respect with other peoples in the Southeast Asian region. However, children in the cities usually have a better chance than their counterparts in the rural areas to enter high schools and universities. The scarcity of wage employment in the villages has also limited the opportunities for the rural youth to move into better jobs. The only chance available to them is, in fact, for their families to migrate

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\* The programme aims to have each rice paddy in the country yield 99 cavans of palat per hectare.

<sup>52</sup> See Presidential Decree, No.27.

<sup>53</sup> See Asia Yearbook, 1976, Far Eastern Economic Review, p. 263.

into the cities first; but then they would easily become slum dwellers. And to have a frustrated slum population would mean that it not only fails to solve the problem of rural poverty but also adds to the disappointment of the frustrated youth.

With prevailing poverty and under-employment, any large scale measure to provide people with a basic standard of living is necessarily expensive. As in countries with ineffective administrations, the Philippines being one, poverty reduction measures may face an additional obstacle in that assistance is not often channelled into the hands of the poor. Different regions may also be given different treatment, usually with areas nearer the administrative centres receiving comparatively more attention. To eradicate poverty in a developing country, the problem is seldom merely the availability of resources; consideration must be given to the form of administrative structure as well as the disparity in services and employment opportunities existing between regions. The Self-Employment Assistance Programme in the Philippines must therefore be assessed within this broader framework and not just by counting the benefits given to one sector of the population.

Viewed with such a perspective, it is not surprising that assistance programmes in the Philippines are described as piece-meal and ineffective. Moreover, should the Philippines remain administratively inefficient and urban-oriented, one has to question how much it could realistically be expected of any programme whose aim is to eradicate poverty or to stress the self-reliance of the people. The immediate task for the Philippine Government, before the launching of any far-reaching poverty reduction programme, is thus the establishment of an administrative framework which possesses the ability and determination to implement agreed plans. Measures on poverty reduction would only be meaningful in so far as they can be effectively implemented. Since poverty is most widespread in the rural areas in the Philippines, any scheme to attack poverty should be concentrated on and begin with the villages; the disparity between urban and rural income distribution is often the major cause of frustration and disappointment. A fairer distribution of resources, leading to less inequality, may be the most urgently needed condition for reducing poverty. However, the present public assistance programmes could hardly make any significant contribution towards this end. While the distribution of the meagre sum under general assistance

has to be continued,<sup>54</sup> a more drastic approach than even the guarantee of minimum living requirements has to be adopted and acted upon if the problem of poverty is ever to be tackled at its roots.

The ineffective administrative structure and the concentration on urban problems have resulted in a greater emphasis on social insurance for a selected population than general assistance for all in the Philippines. The coverage of the Workmen's Compensation Law, although the first insurance scheme introduced in the Philippines, is still confined largely to wage earners who constitute only about 1/3 of the total labour force; casual employees and unpaid family workers are excluded. The coverage of the Social Security System is even more limited, excluding those who have not been employed for a continuous period of over 6 months in a year. Even when the figure given by the Social Security System is accepted without reservation, the number of employed persons covered by it amounted to just over five million, against a total working force of over 13 million. This five million are living in the cities or are paid regular wages in the farms. In other words, social insurance in the Philippines succeeds only in giving income protection to the already well-to-do; it has not been able to safeguard the interests of those who would be most vulnerable to economic vicissitudes. To extend the benefits of social insurance to the less fortunate, a most worthy step the Philippine Government may wish to take, there would have to be as a pre-requisite an effective administrative system in the rural areas to collect and distribute the contributions and benefits. The absence of such an infrastructure in effect limits social insurance within the city boundaries. The self-employed and the unpaid family workers are left as a result to take care of themselves and this only helps to widen the disparity between the cities and the villages, between the wage earners and the self-employed. Such inequality, most glaring in the Philippines, is a problem which social security has not only failed to solve but in certain instances has even aggravated.

Another defect of the present social insurance system in the Philippines is its obstinate insistence on the principle of individual equity; those who earn more are thus better protected. Although amendments have been made in both the GSIS and the SSS so that minimum benefits do not fall below a certain level, the

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<sup>54</sup> For the year 1975-76, 3,455,357 persons were given assistance which amounted to ₱11.2 million. Department of Social Services and Development, Annual Report, 1975-76, Manila, p. 34.



wage-related element is still very much retained. The redistributive function is reduced to a minimum. Those who are better paid may even benefit more from the two schemes as they are entitled to larger loans to further their own economic well-being. On the other hand, as the schemes are wage-related, the lowly paid often find themselves in want even with the provision of benefits. To better provide for people in need, the individual equity principle must be given less weight when benefits are calculated.

A final point is that contributions to the SSS amounted only to 3.9 per cent of total Government receipts or 0.52 per cent of gross national product in 1973 (Table 6.6.1). Compared with other countries with social insurance, this percentage is extremely low and could not in any way be described as extravagant. In other words, there is still a wide margin for expenditure to be increased on social security and the question is whether more should be allocated to social security or for other purposes. There of course are obstacles in the Philippines preventing the implementation of a comprehensive and adequate social security programme but provided that a more efficient administration could be established, social security can be a tool in the hands of the Philippine Government to tackle the problem of poverty and bring about a fairer distribution of resources, not only between individuals, but also between regions and ethnic groups.

Table 6.6.1 Contribution to SSS, GSIS and Medicare

	(₱ million)			
	1970	1971	1972	1973
Contribution to SSS	157.7	188.3	210.7	336.9
Contribution to GSIS	175.8	200.0	221.4	239.6
Contribution to Medicare	—	—	71.0	126.0
GNP	37,640	45,369	55,790	64,608
Percentage of contribution to SSS to				
total Government receipts	3.51	3.38	3.34	3.90
GNP	0.42	0.42	0.38	0.52

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Source: International Labour Office, Report on the ILO/NORAD Asian Regional Seminar on Social Security, National Economy and Planning, Geneva, 1975, p. 172.

PART THREE

CHAPTER SEVEN

COMPARISONS OF SOCIAL SECURITY SYSTEMS IN  
SINGAPORE, HONG KONG, MALAYSIA AND THE PHILIPPINES

Introduction

The format of this part follows closely the framework developed previously for comparing different social security systems. It has been mentioned that the purpose of the framework is to serve as a guide, to help identify problems and indicate the aspects to be compared; it should therefore stimulate rather than restrict discussions. Furthermore, the comparisons made in this part are based on the information given in the national case studies and no repetition of details will be necessary. The main intention of this part is to account for the differences and similarities existing between different social security systems.

It should once again be stressed that the purpose of making comparisons between different social security systems is not to rank the countries compared but to explain the different policies adopted. Although some comparative studies on social security systems have attempted to make such ranking, usually according to the amount of resources spent by different countries on social security,<sup>1</sup> it has been found extremely difficult to interpret the order, the obvious reason being that monetary value is but one of the many facets of social security, and using it as the only criterion to adjudicate different social security systems can be most misleading.<sup>2</sup>

It has also been stressed that a theme is indispensable in a comparative study of any nature. A theme serves not only to guide the comparisons but also to group countries under some common concerns. The theme of the present

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<sup>1</sup> Wilensky used expenditure as the main criterion to adjudicate different social security systems but he has confined his study to 'rich countries'. See Harold L. Wilensky, The Welfare State and Equality, University of California Press, Berkeley, 1975.

<sup>2</sup> Merriam also observed, 'Interpretation and understanding of such comparisons of social security programmes and of more generalised comparisons of social security systems require not only detailed knowledge of social security programs but sophisticated appreciation of differences in the economic and cultural history of individual countries.' Ida C. Merriam, 'The Objectives of Social Security Research and Evaluation', International Social Security Review, Year XXIX, No. 1 (1976), p. 13.

study is the need for income security which is increasingly felt by the four countries studied. Demographically, populations of the four countries are gradually maturing with an increasing proportion of old people for whom income protection is an important issue. Although some time will lapse before the problem in these countries of providing for the aged will reach the same magnitude as in the West, the difference is estimable. On the other hand, the four countries are changing rapidly in their social structures with the traditional family system slowly disintegrating into nuclear families which are more adaptable to the modern society. Income protection which used to be a function of the family network is now becoming an individual responsibility. The increase of wage earners among the working force is another factor contributing to the need for income protection. Their organisation into a distinct class also transforms the power structure and employees' trade unions are formidable political forces. Their aspiration for income security are therefore important issues in any society undergoing industrialization.

The few points just mentioned would be further elaborated when the four countries are compared but it suffices here to illustrate the importance of the need for income security as a theme for study. However, it should not be assumed that as the need for income security is similarly felt in the four countries, arrangements to provide for them must be the same. Variations do in fact exist between countries in their policies to solve a seemingly common problem and it is these variations which make comparative studies interesting and rewarding.

## I. Institutional Issues Related to the Provision of Social Security

Social security has been regarded in this study as an institution which is related to other institutions in society. The relationship between social security and the economic system is a clear illustration: unless resources are available to provide for a basic living standard, it is unlikely that formal social security programmes would be instituted. For countries which still fail to provide their populations with the minimum living requirements, the most immediate problem is the creation of wealth rather than its redistribution. Usually, a country is only prepared to introduce a comprehensive social security programme when considerable economic development has been attained; but there is no definite relationship between the level of economic development and the form of social security to be provided.<sup>3</sup> Social insurance may therefore be provided in a country with a comparatively lesser degree of economic development while an industrially more advanced country may be content with public assistance. However, the general rule is for a social security system to grow in complexity with the level of economic achievement of a country.

Social security is related to the economic system in another aspect in that it is still largely a provision for industrial wage earners. A country with a predominantly rural population and an agricultural form of economy usually has less need for social security than one concentrating on industrial production.<sup>4</sup> Furthermore, resources required for the introduction of social security may only be available in industrialized countries while nations with low levels of development may need them for investments. Thus while the provision of social security does not necessarily come after economic development, the two are undoubtedly closely interrelated.

Apart from the economic system, the provision of social security is also to a large extent determined by the political system of a country, especially

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<sup>3</sup> The relationship between social security and economic development has been examined by a number of studies. For example, E.M. Kassalon, ed., The Role of Social Security in Economic Development, U.S. Government Printing Office, Washington, D.C.: 1968. Also International Social Security Association, Social Security and National Economy, Studies and Research Series No. 1, Geneva, 1970.

<sup>4</sup> Rimlinger observed a close relationship between industrialization and the provision of social security. Gaston V. Rimlinger, Welfare Policy and Industrialization in Europe, America and Russia, Wiley and Sons, New York, 1971.

the degree to which the government controls available resources. Generally, comprehensive social security programmes are provided in countries with paternalistic or socialistic governments which regard it almost as their mandate to provide their populations with income protection;<sup>5</sup> on the other hand, governments adopting laissez-faire or non-interference policies normally leave their people as far as possible to provide for themselves. Since the provision of social security is a collective action, the attitude of the government towards how it should be organised is crucial. The formation of the wage earners into a social class in industrialized countries and its effects on the power structure have played an important role in the introduction of social security as income protection is one of their chief concerns. The history of social security development in the West provides ample evidence that trade unions representing the employed form a formidable political force behind the introduction of social security schemes.<sup>6</sup>

The third institution related to the provision of social security is the administrative structure of a country. An effective administrative network is necessary for the introduction of social security as may be seen in the case of social insurance which requires the collection of contributions and the distribution of benefits.<sup>7</sup> Very often, an effective taxation system is a prerequisite for the introduction of contributory schemes,<sup>8</sup> as social security contributions are made through the taxation system, it is sometimes impossible for many to tell whether they are paying taxes or contributing to social security. A contributory scheme also requires an administrative machinery to determine needs such as when a person is genuinely unemployed, sick or disabled. Some schemes may even involve the provision of medical care, vocational training and other rehabilitation services; all these are impossible unless the administrative structure of the country has already attained a certain degree of development.

The existing family system is another institution closely connected with the provision of social security as it is in many countries, especially the developing ones, still performing the same protective functions as social security. A change in the

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<sup>5</sup> Thus, social security expenditures as a percentage of the gross domestic product are generally higher in socialist countries. See International Labour Office, The Cost of Social Security 1967-71, eighth international survey, Geneva, 1976.

<sup>6</sup> The promise for better social security is often made by political parties during elections as an exchange for trade union support.

<sup>7</sup> Complicated actuarial calculations are involved in determining contribution and benefit rates.

<sup>8</sup> This is specially true in countries where social security contributions are directly deducted from the wage of employees.

structure of the family with its functions subsequently altered often have a direct effect on the need for income protection and the kind of social security schemes instituted. The social, economic and political structures of a society are thus closely related to the provision of social security and these must be investigated. The purpose of this chapter is to identify the similarities/dissimilarities as they exist in the social, economic and political structures of the four countries being studied and see how these affect the provision of social security.

Of the four countries, Singapore and Hong Kong are relatively more affluent; both have a per capita income second only to Japan in Asia and a living standard comparable to most large cities in the World. Stark starvation has not been known in these two places for a long time and generally, people are living above the subsistence level. Both lack natural resources; their survival is dependent on the exportation of goods and services. While services remain the most important item, both in terms of the value added and people employed, in the economy of Singapore, manufacturing has since mid-1960s played a leading role in Hong Kong. Over 80 per cent of manufactured goods in Hong Kong are now exported; imports and exports amount to more than twice the gross domestic product. The Singapore economy is, on the other hand, more broadly based; it also acts as a servicing and financial centre for neighbouring countries in East and Southeast Asia. In many ways, Singapore is economically better planned than Hong Kong; since the early 1960s, a number of public corporations such as the Economic Development Board and the Monetary Authority of Singapore have been established with full support from the Government to develop manufacturing and other trades and services. The economy thus developed is now even more stable and adaptable than some countries with abundant natural resources and domestic markets. It is indeed so resilient that it has survived the economic recessions in 1974 and 1975 without any serious damages.

The economy in Hong Kong has enjoyed even faster growth than Singapore. Unlike the latter, it has not been achieved through Government support; instead it has been attributed to Government non-interference. A Trade Development Council was only established in Hong Kong in the late 1960s; the initiative to develop the economy has always come from private entrepreneurs with only minimum guidance from the Government. Notwithstanding the successes achieved, doubts are often expressed about the ability of the Hong Kong economy to survive as it

is so heavily dependent on the export of a few manufactured products.<sup>9</sup> One advantage that Hong Kong has over the highly industrialized countries is that its manufacturing is not based on a high level of technology and investments which makes it less vulnerable than it may first appear.

The level of economic development attained in Singapore and Hong Kong indicates that the provision of basic necessities of life is no longer the chief concern of these two cities; so much wealth has been created since Singapore and Hong Kong began to industrialize in the mid-1950s that it is no longer valid to assert that resources are inadequate for the introduction of comprehensive social security programmes. And as these two places are still not so highly industrialized as Japan and other developed countries in the West, they would reap the greatest benefit from the introduction of social security, especially social insurance, schemes since these would promote the productivity of their workers.<sup>10</sup> The argument that too much social security would place an undue burden on the economies of Singapore and Hong Kong cannot be accepted as they are no longer dependent on cheap labour to maintain the competitiveness of their products; the additional costs placed on the products as a result of the provision of better social security should easily be offset by the benefits these measures bring. It is therefore fallacious to believe that the introduction of comprehensive social security programmes would topple the economies of Singapore and Hong Kong; on the contrary, the economic development in these two cities not only suggest that a comprehensive social security system is feasible but also would result in an even faster rate of growth.

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<sup>9</sup> Fan observed, 'Although Hong Kong's economy has expanded satisfactorily in the postwar period, Hong Kong industries have been facing some external and internal problems in recent years. The external difficulties include the protective trade measures imposed by Hong Kong's major trading countries, the United States, the United Kingdom, and West Germany, the unstable inter-national monetary system, the possible future competition from Chinese light industrial products, and the increasing competition for markets as well as for foreign capital from other Asian developing countries. The internal difficulties include the shortage of industrial sites, lack of skilled labour, and the rising prices of Hong Kong products.' Shu-ching Fan, 'Hong Kong', in Shinichi Ichimura, ed., The Economic Development of East and Southeast Asia, monographs of the Centre for Southeast Asian Studies, Kyoto University, The University Press of Hawaii, Honolulu, 1975, pp. 265-266.

<sup>10</sup> That countries at an intermediate level of development would reap the greatest benefit from the provision of social security was reported by Galenson after examining a number of countries. Galenson wrote, 'At a high level of development, social security programmes can be afforded but do not contribute to economic growth. At the bottom of the development scale, they cannot be afforded, their contribution to the growth process is minimal, if not negative. It is at the intermediate range, among countries which have attained self-sustaining growth, that social security expenditures appear to have the greatest potential for raising productivity.' Walter Galenson, 'Social Security and Economic Development: A Quantitative Approach', Industrial and Labour Relations Review, Vol.21, No.4, July 1968, p. 567.

Economically, Malaysia and the Philippines are different from Singapore and Hong Kong as both former countries are predominantly agricultural and rich in natural resources. Before the Malaysian independence, her economy comprised mainly the export of a couple of primary products, namely tin and rubber. Since then, Government policy has been to diversify primary production and to develop manufacturing. The value of palm oil as a trading commodity now exceeds that of rubber but manufacturing is still backward accounting for only 15 per cent of the gross domestic product in Malaysia in 1975. However, despite the slow development of the manufacturing sector, the Malaysian economy has so far been characterised by a favourable trade balance and little external debt. In terms of per capita income, Malaysia is now among the few affluent places with a living standard higher than most other developing countries in East and Southeast Asia.<sup>11</sup> Poverty is, however, not unknown and malnutrition still exists for many people in the villages. Yet, considering the level of economic development attained in Malaysia, there should be sufficient resources for all its population to live above the subsistence level.

Like Malaysia, the economy in the Philippines has traditionally been dependent on the export of a few primary products: sugar, coconuts and logs. Seeing that it was imperative for the base of its economy to be diversified, the Philippine Government has since the early 1960s been actively involved in developing manufacturing through encouraging foreign investments and providing tax-exemption incentives. But the industries so developed provided little employment opportunities as they tended to be large scale and capital intensive. Manufacturing thus remains a backward sector in the Philippine economy and until recently accounts for just over 20 per cent of the gross domestic product. So far as employment is concerned, most Filipinos still eke out their livelihood in the poverty-stricken rural areas and those who have migrated to the cities often find themselves without work. Similar conditions also exist in Malaysia but since the birth rate is higher in the Philippines than in Malaysia, the former must achieve a faster rate of economic growth for the living standard to rise as much as the latter. Hence, though the two countries are similar in their economic conditions, it would be easier for Malaysia than the Philippines to provide its population with a living above the subsistence level.

It should however be realised that the level of economic achievement indicates the amount of resources available for distribution and the standard of living the population may possibly attain. Whether social security would be employed

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<sup>11</sup> Per capita income in West Malaysia is about half of that in Singapore.



as a method to distribute/redistribute resources and to satisfy the need for income security bears no direct relationship with the economic state of a country. And while social security is in most cases collectively administered by the government, the extent of public control over available resources may also affect the level of social security provided. In this respect, Singapore ranks highest among the four countries as its public sector accounts for nearly 30 per cent of the gross domestic product, followed by 28 per cent in Malaysia, 17 per cent in Hong Kong and the Philippines. The comparatively larger public sector in Singapore is attributable to the active participation of the Government in economic affairs and its involvement in the provision of social services, particularly in housing and education. Like Singapore, the Malaysian Government has stepped up its control over the economy which has so far been in the control of foreign investors; the Third Malaysia Plan, an economic and social development plan produced in 1976, stipulated that the Government intended to increase its say over the allocation of resources and the public sector would increase its share to 29.3 per cent of the gross domestic product by 1980.<sup>12</sup> Compared with Singapore and Malaysia, the Hong Kong Government has only a moderate control over available resources; not until the last five years had public spending in Hong Kong exceeded 15 per cent of the gross domestic product.<sup>13</sup> In general, private consumption is high in Hong Kong as the economic role of the Government has been minimal, being largely confined to land clearance and bargaining of trade quotas, and the rest left to the regulatory forces of supply and demand. The Hong Kong Government indicates no wish to substantially increase its control over available resources, though, like Singapore, it is also the main provider of social services. And even here, the Government has been content with as minor a role as possible. A different situation exists in the Philippines where the public sector has traditionally been small and the command of resources is still largely in the hands of rich 'families'.<sup>14</sup> The small public sector is also a result of the heavy reliance of the Government on indirect taxation as its main source of revenue. Since the proclamation of Martial Law in 1972, the role of the Government in the control of resources has become more eminent but it would be some years before the Philippine Government could reverse the existing situation and assume a level of control comparable to Singapore and Malaysia.

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<sup>12</sup> Government of Malaysia, Third Malaysia Plan, Government Press, Kuala Lumpur, 1976, p. 243.

<sup>13</sup> The Financial Secretary estimated that in the four years 1973-74 to 1976-77, the public sector in Hong Kong represented 17.2 per cent of the gross domestic product. Financial Secretary, The 1977-78 Budget Speech, Government Printer, Hong Kong, p. 49.

<sup>14</sup> The Philippine Government has since 1972 greatly increased its activity in the economy of the country.

A government with a greater control over available resources need not necessarily spend more on the provision of social security; the allocation has still to be determined according to the priorities given to the various items demanding public spending. Nevertheless, a large public sector should give a government greater freedom to mobilise the country's resources and introduce social security programmes. Applied to the four countries, it is thus more likely for comprehensive social security systems to be introduced in Singapore and Malaysia than in Hong Kong and the Philippines.

Another institutional issue related to the provision of social security is the political and administrative structure of a country. In the four countries studied, Singapore is outstanding in that it has a Government known to be among the most efficient and honest in the World; its area of about 200 square miles enabled the Government to administer effectively. Another advantage Singapore has over other countries is that since its independence, it has only been ruled by one political party, the People's Action Party. The PAP has gained so much support from the Singaporeans that there is little doubt about the political future of the country whose stable existence has tremendous significance for nations not only in Southeast Asia but also in other parts of the World.<sup>15</sup> Political stability is an advantage because it enables a country to introduce social security schemes that require lengthy periods of maturation. Public administration in Hong Kong is no less efficient than that in Singapore though not so honest. However, the political future of Hong Kong is as shaky as Singapore is stable. Theoretically, by 1997 the greater part of Hong Kong, areas consisting of New Kowloon and the New Territories, should be returned to China, though no one nowadays takes the date seriously.<sup>16</sup> However, it does discourage long-term plans that run over a lengthy period and accounts for the general reluctance of the population to participate in retirement schemes, the benefits of which they might not have the chance to enjoy.<sup>17</sup>

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<sup>15</sup> After examining the political and economic roles of Singapore in Southeast Asia, Wilson concluded, 'Singapore is thus destined to become a commercial and diplomatic base for all the great powers in Southeast Asia, and to be one of the key centres in the entire continent.' Dick Wilson, The Future Role of Singapore, The Royal Institute of International Affairs, Oxford University Press, London, 1972, p. 110.

<sup>16</sup> China did not recognise the treaties signed in the Nineteenth Century regarding the position of Hong Kong and has maintained that Hong Kong is an inalienable part of China and its future is a matter to be settled between the two governments of China and United Kingdom.

<sup>17</sup> Shellam wrote, 'Traditionally, many Chinese in Hong Kong considered life insurance to be unlucky. Now, with a more mobile family structure, more people are looking on life insurance as a sensible precaution and it is growing in importance. Although no official figures are available on the size of life insurance funds in Hong Kong, they are still considered small in relation to the size of both the population and the banking sector: those invested have been estimated at something over HK\$500 million.' Margaret Shellam, 'Unregulated, unabused funds', Far Eastern Economic Review, July 29, 1977, p.71.

In addition, Hong Kong differs from Singapore in another respect in that suspicion about the Government is widespread among the population, 98 per cent of which is Chinese, since it remains a British Crown Colony and has no representative assemblies. Though the Hong Kong Government claims a certain degree of representation in that unofficial members are appointed by the Governor to sit in the Legislative Council, the law-making body of the Colony, it has been accused of being irresponsive to the wishes of the masses. The introduction of social security schemes, especially contributory ones, requires the trust of the people in their governments which usually administer the schemes and this is lacking in Hong Kong.

Malaysia is similar to Hong Kong and Singapore in the administrative structure as they have all been under the influence of the British; the bureaucrats in these three places inherit the same traditions.<sup>18</sup> But the Malaysian Government is a federation in which West Malaysia itself is composed of eleven states each with its own administration. The states differ greatly in their natural resources and levels of economic development; those on the West coast are generally more developed than the East. Since about 70 per cent of the population in the Malaya peninsula are living in rural areas where public administration is less efficient, problems of maintaining a uniform structure are thus greater in Malaysia than in Singapore and Hong Kong. Another administrative problem Malaya faces is the heterogeneous social composition of its population; measures introduced are often interpreted as favouring one group at the expense of another. The provision of social security in Malaysia would thus meet with greater administrative obstacles than in Singapore and Hong Kong.

The Philippines, like Malaysia, also has the majority of its population living in rural areas and engaged in primary production as either self-employed or unpaid family workers. Public administration in the Philippines has traditionally been ineffective and corrupt, though some improvements have been made since 1972 with the proclamation of Martial Law. Instead, except in the urban areas where the Government maintains considerable control, the social, economic and political life

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<sup>18</sup> Esman wrote, 'Structurally the civil service [in Malaysia] reflected its colonial origins and the configurations of Malaysian society.' Milton J. Esman, Administration and Development in Malaysia, Ithaca: Cornell University Press, 1972, p. 69. See also Robert Tilman, Bureaucratic Transition in Malaysia, Duke University Press, Durham, N.C., 1964.

<sup>19</sup> See John J. Carroll, Changing Patterns of Social Structure in the Philippines, Ateneo de Manila University Press, Quezon City, 1968, pp. 30–33.

of rural communities is still largely dominated by the wealthy landowning 'families'.<sup>19</sup> In addition, administrative units are small and fragmented in the Philippines and communication between the islands difficult. Plans are now under way to streamline the system by installing Regional Officers for Development to co-ordinate the different localities; but until improvements have been made, public administration in the Philippines would remain ineffective, incapable of carrying out any social security scheme which is not just confined to a small sector but intended for the entire population.

Thus, administratively, Singapore possesses the most favourable conditions for the introduction of comprehensive social security systems, followed by Hong Kong, Malaysia and the Philippines. The greatest disadvantage of Hong Kong is its political uncertainty, while rural/urban diversities are problems which Malaysia and the Philippines have to overcome.

The last institutional issue examined in this chapter is the family system and its relationship with the provision of social security. No detailed description of the situations in the four countries will be required in a study of this kind, the assumption being that as a country industrializes, the protective functions of the traditional family system would diminish subsequently necessitating the establishment of other institutions to take their places. There exists therefore a direct relationship between the family system and the provision of social security; any change in one would affect the other. Moreover, the breakdown of the traditional family system is particularly rapid in highly urbanized and industrialized countries. As both Singapore and Hong Kong have undergone rapid processes of urbanization and industrialization in the last twenty years, it is to be expected that the family system in these two places would lose much of its protective functions. However, it should be remembered that both Singapore and Hong Kong were cities before the Second World War and those who migrated to these two places came mainly from cities in China.<sup>20</sup> The changes which these people

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<sup>20</sup> The relationship between industrialization and the family structure in Hong Kong had been analysed by Wong who concluded, 'Correspondingly, the local family structure has been in a fluctuating situation throughout the history of Hong Kong. It swings from one form to another as dictated by the phase of industrialization in which it exists, and is seen to have gone through three stages of development. First, it started as a temporary, broken extended family when the economy of the Colony was predominantly of a trading and commercial nature. . . . Then it switched over to a settled stem family with a single-trunk, three-generational patrilineal unit when early industrialization began to take place and pave the way for the emergence of an industrial economy. . . . Finally, as the Colony has entered into the phase of more advanced industrialization since the 1960's, it has been shifting toward a small nuclear unit which is composed typically of parents and their dependent children. The structure of this family unit is basically paternalistic, bilineal, neolocal, and with limited interference from the kinsmen, and is believed to be more suitable for the modern industrial society.' (pp. 998-999) See Fai-ming Wong, 'Industrialization and Family Structure in Hong Kong', *Journal of Marriage and the Family*, Vol. 37, No. 4 (November 1975).

have undergone were not so abrupt as the case might be if they came mostly from rural areas. And the disturbances brought upon the family systems in Singapore and Hong Kong might not even be as great as was experienced by families in Manila and Kuala Lumpur where most residents had moved in from the villages and had only for the first time made a living as wage earners.<sup>21</sup> They had thus to adjust to an entirely different life style. Of course, those who remain in the villages in Malaysia and the Philippines are not in the same plight as those who have moved out to live in cities; they might continue to rely on their families for support and protection. The disturbance to the family systems in Singapore and Hong Kong may also be mitigated despite the modernization processes by their smallness in area, a fact which greatly facilitates the retention of contact between family members. This is not saying that industrialization and urbanization have not made an impact on the family systems in these two cities, but the processes have not totally disrupted their protective functions. Studies showed, in fact, that people in Singapore and Hong Kong could still expect short-term assistance from their family members.<sup>22</sup> Thus, when the four countries are compared, the family systems existing in cities in Malaysia and the Philippines might be worst off, providing little protection for their members. Families in villages usually have a better chance of remaining intact but then resources are scarce in these areas.

As an institution, social security is closely linked up with other institutions in society. The comparisons between the four countries indicate that socially, economically, and administratively, Singapore surpasses the other three in its potentials for developing a comprehensive social security system for its population while the Philippines is least ready institutionally to launch a scheme on an extensive scale. It does not imply that Singapore is thus better than the Philippines but the different institutional characteristics of the four countries predispose in one way or another the form of social security programmes to be provided and supply the reasons for the different courses of action taken by each.

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<sup>21</sup> See D.J. Dwyer, ed., The City as a Centre of Change in Asia, Hong Kong University Press, Hong Kong, 1972.

<sup>22</sup> Gertrude Williams, Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong, Government Printer, Hong Kong, 1966, p. 14.

## II. Identification of Problems Requiring the Provision of Social Security

Social security is provided to meet certain needs: They are not necessarily dire poverty or starvation for which emergency relief measures may be more appropriate. When a country is no longer perennially in the plight of hunger and malnutrition, the next step would be for it to guarantee everyone in the society, through the introduction of statutory schemes, a living above the subsistence level while social insurance may be introduced for employees who are most vulnerable to income cessation. Gradually a social security system would be evolved consisting of different schemes which would form the main support for people whose income may for various reasons come to an end.

There is no fixed pattern concerning the development of social security and the experiences of industrialized countries need not be followed by others undergoing industrialization.<sup>23</sup> Nevertheless, certain types of social security schemes are found to be associated with particular societal features and are provided to meet specific needs. In general, statutory public assistance is provided when a country accepts the responsibility to meet the need for a basic living standard. Public assistance recipients are usually required to submit themselves to a vigorous means-test which implies that resources are insufficient to meet all the needs and those whose need is greatest have first priority to be satisfied. Countries which provide only public assistance are mostly in the early stages of development, where people are still largely protected by traditional care systems. When a country begins to industrialize, industrial accidents rapidly increase in number and compensation schemes or legislations are often the first formal social security scheme introduced, followed by others to meet the needs arising out of an industrial economy like compulsory retirement, unemployment and redundancy. At the same time, the number of employees greatly increases which accentuates the need for income protection. It is at this stage that social insurance is most appreciated.

Universal benefits in the form of children's allowances, old age pensions and assistance for specific groups like the disabled are usually provided at a later stage and in comparatively affluent countries. These countries are usually highly industrialized and so can afford to provide benefits without testing of means for people whose need is supposedly greater. The provision of universal benefits

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<sup>23</sup> See Guy Perrin, 'Reflections on Fifty Years of Social Security', International Labour Review, March, 1969, pp. 249–292.

is thus associated with features like affluence and relatively advanced industrialization.

One hypothesis of this study is that the adoption of a specific social security system by a particular country is not an arbitrary matter but is related to certain features found in that country.<sup>24</sup> These features apart from giving rise to the need for social security also determine to a greater or lesser degree the form in which it should be provided. The main interest of this section is thus to identify these features as they exist in the four countries and compare the varying degrees of need for social security.

Amongst the four countries studied, Hong Kong is the most industrialized with about 45 per cent of its over 1.5 million working force engaged in manufacturing, whereas in Singapore the tertiary sector still accounts for the largest group of employees while manufacturing engaging about 20 per cent occupies the second place.<sup>25</sup> Singapore and Hong Kong have now become manufacturing centres important not only in East and Southeast Asia but in the World. These two places possess prominent features of an industrial economy and this can be demonstrated by the occurrence of traffic and industrial accidents. Since the early 1970s, the number of persons injured in industrial accidents in Hong Kong has averaged over 30,000 a year, while the corresponding figure for Singapore is 10,000. Compulsory retirement has now become a rule for most employees in the two cities though it is not yet as rigidly enforced as in the West. Remunerated employment is already a permanent feature and the number of self-employed or family workers is definitely dwindling.<sup>26</sup>

In brief, both Singapore and Hong Kong exhibit features of a highly industrialized society with the majority of their workers engaged in secondary production.<sup>27</sup> Social insurance should be the most appropriate form of social security for countries possessing such features. Singapore and Hong Kong also possess other features which distinguish them from other industrialized

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<sup>24</sup> See Donald V. McGranahan, 'Social Planning and Social Security', Bulletin of the International Institute for Labour Studies, June, 1970, pp. 40–54.

<sup>25</sup> The number of employed persons in manufacturing in Singapore dropped from 234,200 in 1974 to 218,100 in 1975.

<sup>26</sup> The proportion of self-employed persons represents about 1/6 of the working populations in Singapore and Hong Kong.

<sup>27</sup> See James Reidel, The Industrialization of Hong Kong, Institut Für Weltwirtschaft an der Universität Kiel, Tübingen, 1974 and You Poh Seng and Lim Chong Yah, eds., The Singapore Economy, Eastern Universities Press, Singapore, 1971.

countries. First, populations in Singapore and Hong Kong have not yet reached a matured stage; young people under the age of 21 still account for half of the population in the two cities. Though fewer children have been born recently, due mainly to the practice of family planning, some years will pass before the young will significantly diminish in proportion. On the other hand, old people are still relatively few in number and those aged 60 and above account for only six per cent of the population in both Singapore and Hong Kong. Their number would naturally increase but it will again be a long time before they are indeed numerous. In other words, the pinch of providing for the aged has only begun to be felt in the two places.

Secondly, compared to other highly industrialized countries, the size of the industrial sectors in Singapore and Hong Kong is small; so it is relatively easy for them to cater for the ill-effects of industrialism. Since the mid-1960s, excepting a short period in 1974 and 1975 when there was a global recession, Singapore and Hong Kong have been able to maintain full employment. They are of course not immune to trade vicissitudes but their comparatively small size enables them to be highly adaptable to changes. In fact, industrialism in Singapore and Hong Kong shows even more resilience than some highly industrialized countries. Nevertheless, while Singapore and Hong Kong may not be too much bothered by long-term employment problems, like other industrialized countries, they have experienced an increase in the occurrence of accidents, sickness and redundancy associated with an industrial economy.

Thirdly, both Singapore and Hong Kong are geographically small in size and people are easily within reach of one another. Although the disintegration of the traditional family system is an appendent feature of an industrial economy, geographical proximity in Singapore and Hong Kong has somewhat slowed down the process. In Singapore, it has been the policy when offering accommodation in public housing estates to allow relatives to occupy units on the same floor. The family systems in Singapore and Hong Kong have therefore helped to bear the brunt of the adverse effects of an industrial economy.

Fourthly, it is significant that although Singapore and Hong Kong both have large numbers of wage earners, trade union movements in these two places have remained weak and ineffective with only about 25 per cent of the working forces registered as members of trade unions. Trade unions are not only



inactive, but are also limited in function; most of them are merely welfare organisations and they seldom represent the workers in wage disputes. Legislations protecting the interests of workers were not introduced in Hong Kong as a result of labour agitations through their unions, and unions in Singapore have even been accused of collaborating with the Government since most trade union leaders also belong to the ruling People's Action Party. Therefore, unlike the situations in most industrialized countries where trade unions are usually the main agitator for the introduction of social security measures, trade unions in Singapore and Hong Kong remain completely silent on this issue. It is in fact rather exceptional that Singapore and Hong Kong could achieve a high degree of industrialism without pressures from trade unions for the provision of social security.

The above factors explain why Singapore and Hong Kong, although both fairly industrialized, do not feel the same need for income protection measures as other countries with the same degree of industrialization. It does not imply that social security is not called for in these two places but only that a full-fledged social security programme, especially social insurance, is not so urgently demanded as it might otherwise be. Inevitably, some people would fall prey to the industrialization process: people who become sick, disabled, redundant, even killed in connection with their work. These victims have to be cared for and their need may often be beyond the resources of their relatives to satisfy. A public assistance scheme providing just a basic living standard would not help very much; under such circumstances, the contributions which these people have made to society also call for a fair treatment from the society. Hence, if the need for a comprehensive social security system is not so deeply felt in Singapore and Hong Kong, some form of insurance scheme for workers is already long overdue.

Malaysia and the Philippines naturally have different needs from Singapore and Hong Kong as the former two are both agricultural countries. The majority of the labour force in these two countries are either self-employed or working as unpaid family workers. These two categories accounted for more than 60 per cent of the total working force in the Philippines in 1973. Wage employment is still rare in Malaysia and the Philippines; those so employed are mostly engaged in manufacturing or in the Government service. Even until recently, the number of employed persons in manufacturing in Malaysia and the Philippines amounted to just over ten per cent of the total working population; the majority of them were working in small establishments employing only a few persons. In the Philippines, industrial establishments with 1–4 employees accounted for 70 per cent of all workers engaged in manufacturing.

Situations in Malaysia and the Philippines are thus characterised by a predominantly rural population, mostly self-employed or working as unpaid family workers, while manufacturing provides employment for only a small percentage of the working force. This kind of economy is characterised by unemployment and underemployment. Underemployment is less apparent though it affects a substantial proportion of those working in the rural areas and is the main cause of poverty and malnutrition. Social security is not often the best measure to be introduced to solve the problem of underemployment; it seems much more relevant to try under such circumstances to raise productivity and increase employment opportunities. In fact, general relief may even be more appropriate for specific groups of people who are in dire want or living below the subsistence level while measures involving contributions are definitely not feasible for people who are still striving for their basic living necessities.

A different situation exists for people in Malaysia and the Philippines who are receiving wages and are either employed in industries or business establishments. For them, unemployment is the most important risk. Malaysia and the Philippines both experienced high unemployment rates which for the last several years fluctuated between five to ten per cent of the total working force. Most of the unemployed are found in the urban areas. It is seldom feasible to introduce income protection measures for unemployed workers if the unemployment rate exceeds five per cent of the total working population; unemployment benefits are seldom provided in countries which have yet to achieve full employment.<sup>28</sup> While protection from unemployment may not be practicable in Malaysia and the Philippines, wage earners in these two countries are in need of social security measures providing for sickness, maternity, disability and widowhood, risks they would encounter just as their counterparts in other industrialized countries.

Considering the characteristics of the four countries thus far identified in relation to the provision of social security, it appears that social insurance is most needed in the two industrial economies of Singapore and Hong Kong; while general assistance is more appropriate for Malaysia and the Philippines where the most urgent demand is still for the basic living necessities, and specific contributory schemes may be considered for wage earners whose need is different from the rural farmers.

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<sup>28</sup> See International Labour Office, Unemployment Insurance Schemes, Studies and Reports, New Series No. 42, Geneva, 1955.

So far, the need for social security has been assessed in relation to the stage of social and economic development attained in the four countries; another angle from which to perceive the situation is the functions performed by social security in different environments. These functions fall largely into two main categories: (1) to provide for an acceptable living standard; and (2) to distribute resources between different income classes and over a person's life-time. The former function may best be achieved by means-tested and non-contributory schemes based on the principle of social equity. Whether the former or latter functions should be emphasized in a social security programme depends on the extent of poverty and the income distribution existing in the country. In general, for a country where the living standard is low and poverty not unknown, the provision of social security should first aim at guaranteeing subsistence requirements. When a people is no longer bothered by absolute poverty and starvation, the purpose of social security provisions would then be to redistribute resources so that no one would be in want because of carelessness or cessation of income owing to unpredictable circumstances. So, even though the need for income security is universal, the kind of schemes to be introduced varies according to the different circumstances of individual countries.

Poverty is still a grave problem in both Malaysia and the Philippines. The Third Malaysia Plan acknowledged that 'poverty is a serious problem for half of the total population' in Malaysia; the difficulty is particularly acute in rural areas. In 1970, 34 per cent of farm households were reported to be receiving an income of less than M\$100 a month, much lower than earnings in urban areas. Those working in manufacturing are usually paid higher wages but they form only a small proportion of the working force. The incidence of poverty is also unevenly distributed between the different racial groups as Malays are mostly engaged in primary production; they accounted for a majority of the poor in Malaysia. This naturally causes a lot of resentment among the Malays but so far as the need for social security is concerned, it seems imperative that measures be introduced to provide them with the basic living necessities.

The Philippines shares more or less the same situation with Malaysia in that poverty is widespread throughout the country. No estimate of the extent of poverty has been made but income distribution statistics showed that resources are very unevenly distributed among the population. The 1971 Census in the Philippines reported that the top 20 per cent received 53.9 per cent of the total

incomes while the lowest 20 per cent accounted for a mere 3.8 per cent. In fact, a substantial number of households in the Philippines is until recently receiving less than ₱100 a month. Like in Malaysia, disparities between the rural/urban areas is also acute in the Philippines and have caused substantial migration to the cities. Under such circumstances, the primary function of a social security programme should be to relieve the plight of the rural poor by providing them with a basic living standard. As wage employment is limited, contributory schemes would not have much effect on income distribution; rather, a change in the taxation system, asking the rich to pay more, would achieve better results.

While poverty in Malaysia and the Philippines exists mostly among the rural farmers, it takes another form in Singapore and Hong Kong where the poor are found among the old, sick, disabled and people with large families. In other words, people are poor in these two cities because they are for one reason or another no longer gainfully employed.<sup>29</sup> Apart from these, absolute poverty has largely been eliminated and the concern of social security is shifted to the demand for a fairer distribution of income. Before 1959, the prime cause of poverty in Singapore was unemployment. A survey conducted in 1953–54 revealed that about 1/5 of all households in Singapore were living in poverty but the situation had improved since then; the unemployment rate has been kept below five per cent of the total working population. But while few families in Singapore are now extremely poor, contributions to the Central Provident Fund showed that about 43.8 per cent of contributors in 1975 earned only between S\$100–300 a month and a Government survey in 1975 showed that 92 per cent of the labour force had a monthly income of less than S\$800. A small minority of the population thus accounted for a large proportion of the incomes. The situation is similar in Hong Kong where the 1976 By-Census showed that monthly incomes for two-fifths of the households were below HK\$1,200. Thus, social security measures that perform the function of redistributing resources between different income classes are most desirable, whereas general assistance could only serve the purpose of helping people who are deprived of every means of earning a living.

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<sup>29</sup> This can be seen from the categories of persons dependent on public assistance. In Hong Kong, more than half of the public assistance recipients were elderly persons aged 55 and above.

To conclude, the above examination of features associated with the need for social security, especially the functions which income protection measures may perform, clearly indicates that what would most urgently be needed in the Philippines are provisions to maintain a basic living standard aimed at alleviating the poverty of the rural farmers. Failing to achieve the above purposes, measures in Malaysia and the Philippines would only succeed in benefitting a small group of employees who are already better off than the majority of the population. The situations in Singapore and Hong Kog present a different picture where absolute poverty has disappeared and the need for income protection is felt most deeply by employees whose vulnerability to a cessation of income is associated with the hazards of a modern industrial economy. These people have yet to gain a fair share in the growing prosperity created by industrialization; to them, social security means not only the satisfaction of basic needs but also a right to which they are entitled in connection with their employment.

### III. Development Issues Related to the Provision of Social Security

So far, comparisons have been made of the societal structures of the four countries and the various stages of social and economic development they have achieved; it is concluded that specific social security provisions are particularly relevant to certain situations. Whether they would actually be provided in a country depends, however, on the goals of development of that particular country. In other words, it depends on the priority given by a country to the provision in relation to other goals and objectives. Of particular significance is the fact that the provision of social security involves public expenditures, so that it has to compete with other items for the limited available resources. Thus, unless the provision of social security is considered congruent with the development goals of a country, it is unlikely that it would be given much emphasis or even initiated. The purpose of this section is hence to identify the development goals of the four countries and assess the importance given to the provision of social security.

The assessment may be made by looking at the provision of social security from different angles. First, it may be seen from the ideas or beliefs a country holds about social security. In some societies, social security is still perceived as charitable measures to help the poor and the indigent. The 'poor law' concept is a very typical example. In these societies, social security is regarded as ad hoc steps which seldom takes the form of a permanent institution since it is feared that once organised, it would encourage more dependence. The charitable approach towards the provision of social security has been discarded in most Western industrialized countries but they are still accepted in many developing countries undergoing industrialization.<sup>30</sup> The emergence of industrial states have given rise to the concept that social security is an integral part of the society, an institution not just for the indigent but affecting the life of every individual in society. In addition, social security is considered a necessity for those who may encounter risks leading to a cessation of income or incurring extra expenses. People thus come together to share the risks and pool their resources; this approach

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<sup>30</sup> Even developing countries are rapidly changing their ideas towards social security and seldom simply regard it as a form of welfare.

towards the provision of social security is largely a characteristic of the industrial economy and is hence mostly accepted in advanced societies.

Secondly, whether or not social security is in line with the development goals may be assessed from the functions a country has assigned to it over a period of time. It should not be assumed that the same provision would necessarily perform the same function in different times; a scheme which has been highly valued may become irrelevant some years later. The actual functions performed by social security over time in the four countries will give an idea of the importance assigned to it in relation to the development goals.

Thirdly, what countries have actually said about social security in their official statements may also reveal its relevance to national development. Some governments are of course more explicit on this than others. In general, developed countries with comprehensive social security systems are more open with their plans on social security or even the direction of its development. This is necessary because in these countries, social security provisions often account for over ten per cent of the gross national product and their operation is comparable to a giant enterprise. The situation is different in developing countries where social security is still provided on a low level, in most cases accounting for only one or two per cent of the gross national product. It is not even significant enough for political parties to formulate definite policies on its provisions. Nevertheless, statements of a government on this issue would be useful for an understanding of its place in regard to its relationship with the national development goals.

Lastly, the importance of social security may be assessed by the extent to which a government has accepted it as a public responsibility. A government has taken upon itself to provide social security when it puts the provision on a statutory basis. Governments differ in their acceptance of social security and the varying degrees of importance attached to it indicate the place it occupies in national development plans.

No explicit theories or ideologies could be found in the four countries studied to explain the provision of social security; but it carries in all four a strong sense of 'welfare' as it is still largely equated to public assistance or even relief. To be eligible for social security in the four countries is, with a

few exceptions, synonymous to being indigent, the recipient is not only considered inadequate in financial means but in other personal aspects as well. That social security has taken on a strong sense of 'welfare' is not surprising in the four countries as even today, the majority of social security measures are provided by Government departments concerned with welfare.<sup>31</sup> The traditional role of voluntary welfare organisations in the four places also served to foster the belief that any form of material or cash assistance is 'charity'. Clan and neighbourhood associations in the two predominantly Chinese societies of Singapore and Hong Kong had a long history of providing relief for their indigent members as well.<sup>32</sup> Though these associations and organisations have largely ceased their traditional 'welfare' roles, they have left the impression that assistance is only for those who have exhausted their means. Similar beliefs about social security are held by people in Malaysia and the Philippines; in Malaysia, mutual aid associations are organised among different racial groupings whose functions include the relief of needy members. Religious organisations in Malaysia and the Philippines are in many ways similar to welfare organisations and they all give the notion that receiving assistance is depending on charity.

In pointing out that social security in the four countries is imbued with a strong sense of 'welfare', this is not meant to degrade the good works which

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<sup>31</sup> Welfare services are built into the social security systems of the four countries studied to be made available to public assistance recipients. For example, the Destitute Persons Act 1965 of Singapore provided the establishment of welfare homes for destitute persons and in the Philippines, the care of negative lepers is considered under the public assistance programmes. See United Nations Economic Commission for Asia and the Far East, Comparative Study of Social Welfare Legislations in the ECAFE Region, New York, 1973, p. 22.

<sup>32</sup> The traditional welfare roles of clan and neighbourhood associations in Hong Kong have already been mentioned in the case study on Hong Kong. Similar organisations also existed in Singapore as Freedman described, 'But whether or not territorial and dialect associations [in Singapore] functioned directly as traders' or workers' organisations, they were economically important in providing financial help to their members, especially at times of bereavement and in cases of destitution. They acted as what we should nowadays call social service agencies, providing shelter, religious worship, and fellowship for men thrown down in a strange environment.' Maurice Freedman, 'Immigrants and Associations: Chinese in Nineteenth-Century Singapore', Comparative Studies in Society and History, Vol. 3, 1960–61, p. 40.



had been or are still being done by the religious or civic welfare organisations; but they have unknowingly fostered among the people the belief that assistance, whether in kind or in cash, is only for the unfortunate. However, in the four countries studied, public assistance is not the only form of social security provided; provident funds were introduced in Malaysia and Singapore in the early 1950s and social insurance has existed in the Philippines since 1957. But these schemes affect mainly the employees and have hardly changed the attitude of the general public towards social security since the only type to which they may actually be entitled is assistance. Their perception represents the dominant opinion held of social security.

Singapore and Hong Kong have definitely passed the stage in which assistance-in-kind is the most effective means of meeting people's needs for basic necessities; this is well illustrated by the diminishing role of the voluntary welfare organisations in the provision of relief. Church World Service and C.A.R.E. ceased to operate in Hong Kong in the mid-1960s and similar situations occurred in Singapore. Even though relief measures had diminished their functions in Singapore and Hong Kong, it will be some time before people in these two places would change their ideas towards the entire operation of social security.<sup>33</sup> It will be even more difficult for people to accept social insurance as it is based on a different principle from assistance. Hence, although social and economic development in Singapore and Hong Kong demands a more advanced orientation towards social security as measures not merely providing for a basic living standard, as ideologies tend to linger on longer than is necessary, people in these two places will continue seeing social security as assistance for some years to come.

On the other hand, the opinions of people may be influenced by the attitude of their governments whose wish on how social security should be provided is thus important. It must be stressed once again that very few official statements have been made on social security in the four countries studied and its relationship with other national development goals and any impression obtainable

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<sup>33</sup> The tenacity of ideas and attitudes towards welfare even when it is no longer provided in the traditional form is confirmed by Hodge who wrote, 'The purpose of describing these [social welfare] measures is not to concern you with the detailed operations but to draw your attention to the prevailing attitudes of the time, which have more than the attractions of antique curiosities. They have tenaciously persisted in their endurance until our times, and may still be found pervading both official and independent views of social conditions and their amelioration in Hong Kong. Social attitudes have always been slow to change in Hong Kong.' Peter Hodge, 'The Poor and the People of Quality: Social Policy in Hong Kong', Supplement to the Gazette, University of Hong Kong, Vol-XXIII, No. 5, 22nd March, 1976, p. 6.

about government attitudes could only be inferred from the way in which social security has been provided. Malaysia may be the best to begin with as consecutive national plans published since 1956 give the most comprehensive information on the direction of development of the country. The First and Second Five-Year Plans, covering the period from 1956–1965, emphasized the diversification of the economy and the development of the industrial sector, the creation of employment opportunities and the improvement of the economic and social well-being of the rural population. Economic development thus constituted, as in other developing countries, the primary objectives of national development though measures were taken to ensure that the traditional sector would not be ignored. Social security had not been given a place in the Five–Year Plans though it was acknowledged that the Employees' Provident Fund established in 1952 would become an important source for domestic borrowings. As it was traditional practice in Malaysia for the States to provide their own public assistance, this had not been mentioned in the national development plans. The New Economic Policy which was announced in 1970 covered a twenty year period. The stated objectives of the Policy are two, namely (1) the eradication of poverty, and (2) the restructuring of the Malaysian society so that the identification of race with economic function and geographical location would be minimised. Social security has not, however, been regarded as important to the eradication of poverty; the solution still lies with a rapid growth of the economy through the development of industries. It is hoped that employment opportunities would subsequently be created, and the conditions of the farm workers correspondingly improved. The New Economic Policy thus aims at a general improvement of the living standard of Malaysians and the creation of a healthy economy based on the maximum use of natural resources. It is mainly through the creation of wealth that poverty is to be eradicated. Given this as the objective of national development in Malaysia, it implies that so far as the allocation of resources is concerned, priorities would be given to economic development rather than social development. During the period of the Second Malaysia Plan, 1971–75, 67.2 per cent of development expenditures were allocated for economic, agricultural and rural development purposes while social development including the expansion of education, medical and health, housing and social welfare services accounted for only 14.7 per cent.<sup>34</sup> Although economic and social developments are so closely interrelated that attempts to distinguish them are often arbitrary, once the provision of social security has been seen as an item of consumption rather than the creation of wealth, then support for its development would not be enthusiastic.

Another objective of the New Economic Policy is to restructure the economy so as to minimise the identification of race with certain economic functions and geographical locations. This is related to the first objective of eradicating poverty as economic and regional imbalances are the major causes of poverty in Malaysia. Resources in Malaysia are so abundant that all Malaysians should be able to live above subsistence but wealth is so closely associated with a limited range of economic activities such as trade and manufacturing that those not directly engaged in such work like the farm workers are left without adequate means to support a decent living. Unless this imbalance is rectified, there is little hope that poverty will disappear in Malaysia. The New Economic Policy does not propose to rectify this imbalance by redistributing existing resources between different groups or regions but ensures that as new wealth is created, the Malays who work mostly in the rural areas would have a fair share of it. The Third Malaysia Plan, 1976–1980, stated that it is a national goal for the Malays to own and manage 30 per cent of commercial and manufacturing activities by 1990; and to achieve this goal, state-supported agencies like the Credit Guarantee Corporation and the Bumiputra Investment Fund are established to assist Malays to gain greater command over commercial and economic activities. This is undoubtedly a more drastic approach to tackle the imbalance problem than redistribution by providing social security. In Western industrialized countries, social security has been used, though not always successfully, as a method to redistribute resources between different income groups; but in countries like Malaysia with a large proportion of the working population engaged either as self-employed or unpaid family workers, this may not work.<sup>35</sup> This is evident from the fact that though Malaysia has since 1971 been pushing ahead with social insurance, it has affected mainly the regularly employed and by the end of 1974, only 562,407 employees had registered under the Employment Injury Insurance Scheme.<sup>36</sup> The objectives pronounced by the New Economic Policy and the methods used to achieve them thus aim at more fundamental change in the ownership and management of the entire economic system; social security has unfortunately no part to play in this.

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<sup>34</sup> Government of Malaysia, Third Malaysia Plan, 1976–80, Government Press, Kuala Lumpur, Table 5.1.

<sup>35</sup> See Lucila Leal de Arango, 'Social Security as an Instrument of Income Redistribution in the Developing Countries', International Social Security Review, No. 3, 1972, pp. 243–254.

<sup>36</sup> Social Security Organisation, Government of Malaysia, Annual Report for the Year 1975, Kuala Lumpur, Appendix 16.

Problems of the Philippines are similar to Malaysia as the country also depends on the exportation of a few primary products; but unlike Malaysia, economic growth in the Philippines has been off-set by the high rate of population increase. Efforts to develop the Philippine economy have begun in the 1950s with the development of import-substituting industries but there was little success in creating the needed employment opportunities and raising the living standard of the farmers. The New Society promulgated shortly after the declaration of Martial Law in 1972 marked renewed efforts to solve the nation's problems. The aims of the New Society, such as to provide for all Philipinos a decent living, were rhetoric rather <sup>than</sup>/real targets to be attained. Notwithstanding these doubts, the New Society did represent a new desire to develop the resources of the country and achieve greater economic growth. A Four-Year Plan which covered the period from 1974 to 1977 stated as one of its policies to create more employment opportunities through the establishment of a small scale business administration. The administration received full financial support from the Government lending institutions such as the Development Bank of the Philippines and incentives from the Board of Investment. Economic growth thus remains the prime concern of the New Society, though it is hoped that the poor would also benefit.<sup>37</sup> This concern is reflected in the pattern of Government expenditure. During the fiscal year 1973, 36.7 per cent of national expenditures in the Philippines were allocated for economic development while social development accounted for 25.5 per cent with 19 per cent on education; labour and welfare accounted for a mere two per cent.<sup>38</sup>

Despite the absence of explicit statements on the relationship between the social security system in the Philippines and the national development policies, social insurance, since its establishment, first for Government employees and then in 1957 for all wage earners has been looked upon as an important source for domestic borrowings. At the end of 1976, the accumulated reserve of the Social Security System in the Philippines amounted to over ₱3,651 million.<sup>39</sup> The

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<sup>37</sup> Marcos declared, 'An ideology for the New Society must base itself on one ruling principle: that the interests, objective, and needs of the poorest of the working people must take precedence over those of the rest.' Ferdinand E. Marcos, Notes on the New Society of the Philippines, Manila, 1973.

<sup>38</sup> National Economic and Development Authority, Republic of the Philippines, Philippine Yearbook, 1975, Table XXVII. 19.

<sup>39</sup> Social Security System, Republic of the Philippines, Annual Report for the year 1976, Quezon City, p. 16.

system thus has a very important economic function in the development of the country. Besides social insurance, another form of cash assistance in the Philippines is the Self-Employment Assistance Programme (SEAP), though in nature it is akin to a loan scheme. The SEAP helps needy families to stand on their own feet but the Programme is meager in its provisions and has not been extensively implemented throughout the nation. Thus, like Malaysia, social security has been relegated to a second place in the national development plans in the Philippines; both seem to be content with the functions it now performs under the various schemes.

Public assistance is still the major form of social security provided in Singapore and Hong Kong; a Central Provident Fund has, however, been in operation in Singapore since 1954 and Hong Kong has introduced supplementary allowances for the elderly infirm and the severely disabled since 1973. The role of the Singapore Government in the Central Provident Fund is confined to its administration, since only bi-partite contributions are required from employers and employees. As far as Government policies are concerned, public assistance remains the backbone of the provision of social security in Singapore and Hong Kong. It has long existed in the two cities; regarding its functions, it has until recently been seen as provisions for the indigent. Up to 1971, public assistance in Hong Kong was still given in the form of dry rations; cash assistance was only granted to special categories of recipients. Public assistance in Singapore took a more enlightened form and cash has been given since the end of the Second World War; a Five Year Plan for Social Welfare Development approved in 1949 defined the categories of eligible persons as the aged, widows and orphans, the sick and the temporarily unemployed. A Public Assistance Board was later constituted in Singapore to supervise the operation of public assistance and consider the feasibility of establishing it on a statutory basis.

The functions of public assistance in the early years after the Second World War, as it was provided in Singapore and Hong Kong, were to meet the immediate needs of the poorest who were faced with the danger of starvation or even death. This explains why in both places the operation of public assistance was placed under the Social Welfare Department as those dependent on it were not only poor but very often in need of a wide range of welfare services. This 'welfare' image of public assistance has lingered on

since then. There were indications that before the self-government of Singapore in 1959, the then Colonial Government had actively considered the possibility of introducing contributory social insurance schemes. A Retirement Benefits Commission appointed in 1951 suggested the establishment of retirement pensions; the recommendation was only partially accepted as a Central Provident Fund was introduced instead of a pension scheme. The amalgamation of the Social Welfare Department with the Labour Department forming a Ministry of Labour and Welfare indicated however the intention of the Government to combine the various existing schemes into a comprehensive programme not just providing for the indigent but the whole employed population as well. A Committee on Minimum Standards of Livelihood was subsequently constituted in 1955 to look into the problem of poverty and the feasibility of introducing social insurance in Singapore. The Committee recommended that a social insurance scheme be immediately established for all wage earners and even the self-employed. At the same time, expert advice from the International Labour Office also came up with similar conclusions. A decision had, in fact, been reached by the Government to introduce social insurance just before the institution of self-government in 1959; even the appropriate legislations had been prepared. As Singapore was actively preparing for the introduction of social insurance in the 1950s, Hong Kong was doubtful even about its role in relieving the poor. There is a great difference between Singapore and Hong Kong in the late 1950s in that while the former was working towards independence, the latter was not even sure about the population who would ultimately come into its care. Refugees who fled to Hong Kong in the decade immediately after the War greatly outnumbered those born locally and their fate was uncertain. Long-term planning was thus not feasible in Hong Kong and social service provisions naturally took on an ad hoc nature.

Though the recommendations for the launching of social insurance schemes had not materialised in Singapore, preparations made during the 1950s represented a genuine attempt by the Government before 1959 to place the social security system on a strong footing while the country was beginning to industrialize. The influence of the International Labour Organisation and the colonial officers who in one way or another looked to their mother country for inspiration did of course play a part in the recommendations for social insurance, but should Singapore be in the same situation as Hong Kong, with over half of its population being refugees who were uncertain about their future, contributory social insurance schemes would probably not be considered. Also, the rejection of social insurance by the People's Action *Party* which has ruled Singapore since 1959 should not be taken as a discredit to the soundness of the recommendations of the various working parties, only that the new Government was not completely confident about social insurance being appropriate

for the country and in line with the development goals for rapid economic growth. Unfortunately, the issue of a comprehensive social security system was not discussed again since the early 1960s and on the few occasions it had been mentioned, negative remarks were made.

Situations in Hong Kong had improved since the early 1960s; the Government was forced to accept that the majority of the refugees who fled to Hong Kong after the War would probably stay rather than return to China or move to other places. This change in belief was indicated by the modification of the resettlement policies which were largely temporary in nature.<sup>40</sup> The Government action in this as well as other measures aimed at helping the poorer sector of the population had also led to greater public interest in the development of adequate and comprehensive social security schemes. Thus, during the 1960s, a number of reports were produced on social security, though not much had materialised as a result. The 1965 White Paper on Aims and Policy for Social Welfare in Hong Kong affirmed the value of social security and recognised the inability of individuals in a modern economy to be fully and permanently independent of their social environments. The White Paper was, however, worried about the potential effect of social welfare provisions upon immigration, as they might attract people to Hong Kong and subsequently strain the economy.<sup>41</sup> This mentality undoubtedly reflected the fear of the Government caused by the refugee problem during the 1950s. So, social insurance was not recommended in the White Paper. However, a Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong produced in 1966 refuted the conclusion of the White Paper and recommended, among other things, the introduction of social insurance for the coverage of illness and the loss of breadwinners.<sup>42</sup> This recommendation was supported by the findings of another report produced in 1967 prepared by an Inter-departmental Working Party on Social Security in Hong Kong.<sup>43</sup>

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<sup>40</sup> The Hong Kong Government did not have a long-term housing policy until the early 1960s but by then over a million people were already living in public housing estates.

<sup>41</sup> Hodge suggested that this fear had always existed in Hong Kong as he quoted from a report by E.J. Eitel presented to the Governor on the treatment of paupers in 1880, 'indiscriminate and lavish aid afforded in Hong Kong to destitutes, be it by the Government or by private charity, would practically act like a magnet attracting from all the nooks and corners of the Canton Province swarms of professional beggars and lepers to a Colony like this where money is more plentiful than anywhere in the province of Canton.' Peter Hodge, 'The Poor and the People of Quality: Social Policy in Hong Kong'.

<sup>42</sup> See Gertrude Williams, Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong.

<sup>43</sup> Inter-departmental Working Party, Report on Social Security in Hong Kong, Government Printer, Hong Kong: 1966.

The Government which was not very certain about its role in the provision of social services was not ready to accept the recommendation and discarded it as being not feasible. Government was, however, prepared to extend public assistance and a more adequate scheme was introduced in 1971.

That social insurance had been considered in both Singapore and Hong Kong, though at different times, may be attributed to the fact that it is an issue associated with any country undergoing industrialization. That this issue was raised in Hong Kong almost a decade later than in Singapore, while both had begun to industrialize at more or less the same time, needs to be explained. The relative instability of Hong Kong in the 1950s is a serious obstacle for any consideration of long-term policies such as the introduction of social insurance, but the absence of a comprehensive programme may also be partly explained by the existence of international relief organisations which had performed a function similar to the provision of social security. These international relief organisations were either for the first time established in Hong Kong or had their headquarters moved there from Mainland China. Enormous quantities of food and clothing were distributed by these organisations and the amount far exceeded the assistance given by the government to the destitute. Such relief could not fully satisfy all the needs for income security but it helped no doubt in minimising the demand for the introduction of formal schemes. Some voluntary welfare organisations also existed in Singapore in the 1950s and were involved in the distribution of relief, but the scale was less extensive.

Until now, Singapore and Hong Kong have rejected social insurance, or a comprehensive social security system, as either undesirable or impracticable. It is also thought that a comprehensive social security system would actually hinder economic growth which is the number one development goal of the two cities. Malaysia and the Philippines also aim at rapid economic growth but the emphasis laid on it in Singapore and Hong Kong is far more intensive. It forms almost the sole basis upon which the survival of the two societies depends. It is partly because both Singapore and Hong Kong lack natural resources and their hope hinges upon the export of manufactured goods and services, that a belief prevails among decision makers there that only economic growth would help development in other areas. Measures perceived as a hindrance to economic growth would thus be rejected or at least viewed with skepticism.



Both the 1965 and 1973 White Papers on the development of social welfare services in Hong Kong warned of the potential adverse effects of social security on economic growth. The 1973 White Paper (Draft) was even of the opinion that the introduction of social insurance would lower the competitiveness of Hong Kong products in overseas markets.<sup>44</sup> The Singapore Government has also been cautious about ambitious social services development plans and has kept to the principle that the level of social services provision must not be divorced from long-term economic realities. While social security occupies a marginal position in the development policies of Malaysia and the Philippines, it is considered a stumbling-block in Singapore and Hong Kong where it has not even been allowed a place in the development targets. It is for these reasons that the two most affluent cities in East and Southeast Asia have responded negatively to the introduction of social insurance and their social security systems stay far less developed than in Malaya and the Philippines.

In summary, the review of development policies in the four countries studied indicates a close relationship between the development goals of a country and the provision of social security. In general, social security will be provided in a country when it is regarded as contributing to the national development objectives; if seen otherwise, it will have a very limited scope of expansion. This is not to deny that social security performs certain basic functions in providing for the needy and the unfortunate, but the extent to which it should be provided is in the last analysis a political decision which individual governments must make according to its relevance to their national objectives. Political decisions are necessarily the result of a complicated process and in comparing social security developments in the four countries, full account has been taken of the numerous factors, implicit or explicit, that have influenced this process. It is seen that the four countries studied have all, for one reason or another, rejected the introduction of comprehensive social security programmes, though some form of collective income protection measures exist in each of them. The factors identified range from a complete rejection of the philosophy underlying social security, as in Singapore, to a notion that such measures could only be provided for a selected sector of the population, as in the Philippines.

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<sup>44</sup> Government of Hong Kong, Social Welfare in Hong Kong: The Way Ahead, Government Printer, Hong Kong, 1973, p. 21.

However, shared among the four countries, in addition to the various arguments put forward by each, is a common belief that social security is by and large a form of consumption; countries undergoing development or lacking in resources must therefore be cautious in not allowing their social security systems to grow beyond proportion.

The belief that social security provisions are merely a form of consumption has been refuted by some economists on the ground that they also produce benefits necessary for the functioning of the society, though these benefits cannot always be expressed in monetary terms. There is also no disputing the fact that provisions can only be made within the limits of national resources but the concept that social security is by its nature in conflict with the targets of economic development must result in its being relegated to a second place. Thus, the emphasis given to the development of social security, so far as the four countries under study are concerned, is in reverse proportion to that given to economic development. But although the four countries have all taken economic development as their primary development goal, the varying degree to which it has been pursued is reflected in their differing paces of social security progress. The provision of social security remains thus a matter of priorities in the allocation of national resources and may in certain situations be more important than a country's degree of industrialization may appear to warrant.

#### IV. Existing Social Security Provisions

The strategy to provide social security has been identified in the first part as composing of the assistance method, the insurance method and universal benefits. Public assistance schemes are usually the first kind of social security schemes to be introduced but once the insurance method has been widely employed, they are relegated to a supplementary role. Two of the four countries studied have introduced social insurance; but public assistance still remains the method most widely used in meeting the need for income security. Hong Kong is the only place where universal benefits have been instituted but they are confined to the elderly infirm and the severely disabled and look in many ways like assistance. Universal benefits will not therefore be considered as a separate item.

Though formal social insurance schemes exist only in Malaysia and the Philippines, all four countries have long introduced legislations regarding the compensation of injured workers. Workmen's compensation is often the earliest income protection scheme to be introduced for employed persons; in view of its relatively long history, it will be singled out as a separate item for comparison between the four countries.<sup>45</sup> Workmen's compensation has now been unquestionably accepted as the responsibility of the employers who are often required to insure their liability with insurance carriers. Besides workmen's compensation, other schemes involving the contribution of employers are still in their early stages of development in East and Southeast Asia (except Japan) and may take the form of provident funds or insurance schemes based on the principle of 'pooling of risks'.<sup>46</sup> However, benefits provided by provident funds and insurance scheme differ from each other: the former gives lump sum payments to contributors when they reach a certain age or become invalid while the latter provide pensions to insured persons encountering a sickness, disability, death, retirement or, in some cases, unemployment. Social insurance also differs from workmen's compensation in that benefits are not only available for work-related risks; it usually provides a much wider protection for employed persons. In some countries, there is no longer any distinction between workmen's compensation and social insurance as no separate contributions are required for the two categories. However, in the four countries studied, social

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<sup>45</sup> See S.K. Wadhawan, 'Development of Social Security in Asia and Oceania', International Social Security Review, No. 4, 1972, pp. 394-424.

<sup>46</sup> See Kenneth Thompson, 'Social Security in Asia', in Report on the ILO/NORAD Asian Regional Seminar on Social Security, National Economy and Planning, Quezon City, Philippines, 30 September-12 October 1974, ILO, Geneva, 1975, pp.24-63.

insurance is still separated from workmen's compensation as they usually involve separate contributions, though very often administered by the same organisation.

It has been mentioned in the framework for comparisons that no common yardstick will be employed to measure the adequacy of the various social security provisions in the four countries. Such a common denominator will not be useful as the four countries vary greatly in their living standards and in their stages of social and economic development. Instead, the adequacy of a provision will be assessed by the level of living it would allow a beneficiary to enjoy which is thus the degree to which benefits have replaced wages. In the case of public assistance, the level of subsistence living will be used as the standard for measuring adequacy.

The close relationship between social security and other similar forms of social services provisions like medical care, especially for developing countries, has been mentioned. In some countries like Japan, medical care forms a part of the social security system while in others like Singapore, it is still provided as a form of public service and is available to the entire population. Thus, a scheme which does not include medical care may not be inferior if health services are already provided through other channels to the public. Some social security schemes may also have subsidiary functions such as providing loans for members to purchase housing; this should be considered when schemes are compared. It may not be possible to include all the aspects related to the provision of social security but the comparison must not be confined to cash payments. Thus when the various schemes of the four countries are compared, emphasis will be given to the following: persons covered, qualifying conditions, benefits provided, source of finance, and the machinery of administration.

Public assistance

Singapore	Hong Kong	Malaysia	Philippines
Name of scheme			
Public assistance	Public assistance	Public assistance	General assistance and self employment assistance programme
Eligibility criteria	All who have resided in Hong Kong for one year or more; able-bodied unemployed applicants are required to register with the Employment Service. Means-test.	Eligibility criteria vary between states. Means-test.	Victims of natural disasters or dissident operations, the sick, aged, unemployed and the destitute may apply for material/cash assistance or loans. Needy households demonstrating the ability to earn a living may apply for loans under SEAP.
Rates of assistance	Difference between total household income and assistance allowed. Scale rate is related to minimum living standard.	No uniform scale rate as it varies between states.	Loans granted by SEAP are computed by taking into account the current cost of rice and number of family members. No fixed scale rate for general assistance as it depends on degree of calamity and funds available.

## Public assistance (continued)

### Additional allowances

Disability allowance of S\$10 a month is given to each severely disabled PA recipient. More generous rates are provided for households with heads suffering from TB.

Disability allowance (non-means-tested): All certified severely disabled who have resided in HK for more than 1 year are eligible for HK\$200 a month.  
Infirmary allowance (non-means tested): All age 75 and above who have resided in HK for more than 5 years are eligible for HK\$100 a month.

Special assistance schemes are provided for needy children, aged, handicapped and dependents of detainees.

Dependent families are provided with a wide range of welfare services including family life education and referral for clinical services.

### Administrative organisations

PA is administered by branch offices of Social Welfare Department.  
Total expenditure comes from general revenue.

PA is administered through field units of Social Security Division of Social Welfare Department.  
Total expenditure comes from general revenue.

Administration and finance of public assistance are the responsibility of state governments. Matching grants are available from Federal government for special schemes.  
The Ministry of Welfare Services is responsible for general supervision.

SEAP is administered through local offices of Social Welfare Department which is also responsible for the administration of general assistance. Expenditure comes from Central government and members of the community who may finance part of the loans provided.

All four countries studied provide public assistance for the needy and the indigent. In general, it has been accepted as a government responsibility though some countries are more explicit on this than others. The Rodriguez Plan of the Philippines published in 1955 declared:

The proper care of the destitute, the unfortunate victims of calamities and dissidence, and others not in a position to take care of themselves or to be taken care of by relatives and friends, is a responsibility of the State.<sup>47</sup>

The 1965 White Paper on Aims and Policy for Social Welfare in Hong Kong recognised social security as a measure 'to maintain the individual at a minimum level of existence during the period of his dependency, or . . . to helping him to regain where possible his former measure of self-sufficiency.'<sup>48</sup> Similar statements have been made by the other two countries about the undesirability of allowing extreme poverty to exist; the Second Malaysia Plan went so far to denounce poverty in an affluent society as 'an affront to human dignity'.<sup>49</sup>

Despite the fact that all Governments in the four countries accept, to a greater or lesser degree, the responsibility of relieving extreme poverty, only Hong Kong has recently launched a scheme which maintains recipients at a minimum level of existence. It therefore surpasses Singapore which, having introduced cash assistance earlier than Hong Kong, has kept the scale rates so low that assistance provided is no longer capable of maintaining recipients above the subsistence level. The change in Hong Kong was made in 1971 with the expansion of the public assistance scheme and the establishment of an index which ensures that scale rates are adjusted to the cost of living. Malaysia and the Philippines are still to have formal public assistance schemes to provide dependents with the minimum living requirements. Assistance in these two countries still look very much like relief measures and are far from being a constant support for the indigent.

Except in Hong Kong where public assistance is available to all including the able-bodied who have satisfied certain requirements like the period of residence, in the other three countries it is still only provided for the 'weaker

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<sup>47</sup> Government of the Philippines, Rodriguez Plan, 1955, p. 38.

<sup>48</sup> Government of Hong Kong, Aims and Policy for Social Welfare in Hong Kong, Government Printer, Hong Kong, 1965, p. 4.

<sup>49</sup> Government of Malaysia, Second Malaysia Plan, 1966-70, Government Press, Kuala Lumpur, p. 61.

members' of society: the old, sick, disabled, orphaned or victims of natural disasters. The able-bodied have always been treated as a special category and are often deliberately excluded; in the Philippines, such persons are granted small loans which are, however, different from the assistance provided for the unemployed able-bodied in Hong Kong. All in all, notwithstanding the variance in eligibility criteria, public assistance in the four countries remains primarily poverty relief measures aimed at helping those who are unable to fend for themselves and who have lost their earning capacities. In no way should the provisions be regarded, except in Hong Kong, as a guarantee for a basic living standard.

It is not surprising that Singapore and Hong Kong should have more advanced and adequate public assistance schemes than Malaysia and Philippines as the two cities are comparatively more affluent. With about 60 to 70 per cent of the population living in rural areas and still striving for the basic necessities, it would be difficult for either Malaysia or the Philippines to introduce any scheme that provides for a minimum standard of living as this would mean a heavy burden on the limited available resources. On the other hand, doubts have been expressed, as in the Philippines, about the effectiveness of cash handouts in solving the problem of rural poverty.<sup>50</sup> Other measures have been considered more appropriate and the Philippine Government has instituted the Self-Employment Assistance Programme as an alternative to assistance, especially for those whose poverty has been caused by the lack of employment opportunities. Situations in Singapore and Hong Kong are entirely different as the need for assistance in these two cities does not arise from the lack of employment opportunities but mainly because certain sectors of the population are no longer able to work as productive members and thus share in the growing prosperity. These people have actually been deprived of their means to earn a living and when they can no longer call upon their families or associates for help, they are forced to live below the subsistence level. Public assistance schemes in Singapore and Hong Kong thus serve different purposes from those in Malaysia and the Philippines and their introduction depends on (1) the number of persons who have been involuntarily deprived of the means

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<sup>50</sup> 'The traditional dole-out approach to social welfare has been substantially reduced. It is now the policy of the social welfare programme to emphasize activities directed at integrating services for the socio-economic self-advancement of the poor. This underscores the national view that the only long-run solution to poverty is productive employment.' Wilfredo Diamante, Aurea Abdon, Hilda Rayappan and Romeo Lagahit, 'A Proposed Developmental Supplementary Social Welfare and Revised Programme on Socio-Economic Sufficiency', Social Work (Manila) VolXX, Nos. 1-3 (January-September, 1975), p. 14.



to support themselves; and (2) the extent to which they might rally assistance from informal sources. If the number is growing as is happening in many countries undergoing industrialization and the informal protective network is weakening, then the need for formal public assistance schemes would correspondingly increase. The expansion of public assistance in Hong Kong in 1971 is a clear illustration of the rising demand for formal arrangements to meet the need of the indigent and similar changes would probably occur in Singapore where the Government has so far kept the scale rates grossly inadequate.

Public assistance schemes in the four countries are variously regarded as welfare measures. The degree of welfare may be assessed by the association between cash payments and other forms of welfare provisions. The association is extremely close in Malaysia and the Philippines where cash assistance is never complete by itself but is often supplemented by additional payments and other welfare services. In Malaysia, besides the general assistance provided by individual states, special cash assistance is granted to the children and the aged with special needs. In the Philippines, a wide range of welfare services including family planning and child care are also expected to be provided together with cash assistance. Though public assistance is still administered in Singapore and Hong Kong by Government departments concerned with welfare, it is no longer assumed that those dependent on it are in need of other welfare services.<sup>51</sup> This is particularly so in Hong Kong where since 1971, public assistance recipients have no more to become 'clients' before they are eligible for assistance. It implies that their need is regarded as primarily financial and provided they are given adequate means, they should be able to function healthily without the help of other welfare services. Thus, the scope of public assistance has been enlarged in Hong Kong to include not just the 'deserving', those who are both socially and financially inadequate, but every member in society whose resources fall below a certain level. However, the fact that in all four countries, public assistance is without exception administered by the various social welfare departments indicates that there still remains a close association between cash assistance and welfare services.

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<sup>51</sup> Less than ten per cent of public assistance recipients in Hong Kong were clients of other welfare services.

<u>Workmen's compensation</u>	
<p>Singapore</p> <p>Current Law</p> <p>Workmen's Compensation Act 1954</p> <p>Coverage</p> <p>Manual workers and non-manual workers earning S\$750 a month or less.</p> <p>Source of funds</p> <p>Employers are responsible for the whole cost of compensation and must insure with insurance carriers.</p> <p>Benefits</p> <p>Temporary disability benefit</p> <p>Full wages up to 14 days; if hospitalised up to 60 days; exceeding 60 days, half-monthly wages up to 5 years subject to not more than S\$195 a month.</p>	<p>Hong Kong</p> <p>Workmen's Compensation Ordinance 1953</p> <p>Manual workers and non-manual workers earning HK\$5,000 a month or less.</p> <p>Employers are responsible for the whole cost of compensation but insurance with private carriers is not compulsory.</p> <p>Periodical payments made at 2/3 of the difference between monthly earnings at the time of accident and that after up to 24 months.</p> <p>Medical expenses at HK\$10 a day for in-patient treatment and HK\$20 a day for out-patient treatment are payable.</p>
<p>Malaysia</p> <p>Social Security Act 1969</p> <p>Employees of establishments with 5 or more workers earning M\$500 a month or less.</p> <p>Employers are responsible for the whole cost of compensation, contributions ranging from 30 cents to M\$5.60 according to 9 wage classes.</p> <p>60% of average earnings payable after 4-day waiting period (compensated if disability lasts 14 days) throughout the period of disablement.</p>	<p>Philippines</p> <p>Presidential Decree No. 622 (Employees' Compensation and State Insurance Fund)</p> <p>All employed persons.</p> <p>Employees are responsible for the whole cost of compensation. Each employer contributes 1% of monthly salary credit of all employees employed by him.</p> <p>90% of average earnings subject to a minimum not less than ₱2.50 a day and a maximum not exceeding ₱16 a day up to 120 days after a 3-day waiting period.</p>

Workmen's compensation (continued)

Permanent disability benefit	Pension for life at 60% of average earnings if totally disabled or in proportion to degree of disability. Constant attendance allowance at 18% of average earnings is payable to injured workers needing constant attention.	90% of average earnings up to 5 years but not exceeding ₱12,000 in total or in proportion to degree of disability.
Lump sum not exceeding S\$45,000 or 48 months' earnings whichever is less if totally disabled, reduced in proportion to degree of incapacity (also if temporary disability benefit paid over 6 months)	Lump sum not exceeding HK\$80,000 or 46 months' earnings whichever is less if totally disabled, reduced in proportion to degree of incapacity (also by any amount of temporary disability benefit paid).	
Survivors' grant	Widow's and orphans' pensions not exceeding 60% of average earnings of deceased.	Lump sum death benefit not exceeding ₱6,000 or widow's and orphans' pensions up to 5 years or when children reach age 21.
Lump sum not exceeding S\$35,000 or according to a specified formulae whichever is less.		
Administrative organisation	Ministry of Labour and Welfare Services, general supervision, Social Security Organisation, administration of programme.	Department of Labour, general supervision, Social Security System, administration of programme.
Ministry of Labour, general supervision, Commissioner for Labour, enforcement of law.	Commissioner for Labour, enforcement of law.	

Workmen's compensation is often the first formal social security scheme to be introduced. Of the four countries studied, Singapore and Hong Kong introduced their workmen's compensation schemes in the early 1950s while similar legislations had existed in Malaysia and the Philippines since the mid-1920s. Since social security consists primarily of provisions to take the place of earnings, it is not surprising that industrial risks which so abruptly cause a cessation in the incomes of injured workers should first be covered. It also explains why workmen's compensation is often extended to all manual workers as they are most vulnerable to industrial risks; the need of non-manual workers is relatively smaller. The workmen's compensation scheme in the Philippines is the only one among the four which covers all employed persons but as wage earners account for only 30 per cent of the working population in the country, the coverage is not as comprehensive as it appears. There is a similar situation in Malaysia where the coverage excludes the self-employed and unpaid family workers. A wider coverage has in fact been achieved in Singapore and Hong Kong as the majority of workers in these two places are engaged in wage employment.

Without exception, workmen's compensation in the four countries has since its introduction been financed by employers, on either an individual or collective basis. Hong Kong still lags behind the other three countries in that though employers are responsible for paying the whole cost of compensation, they are still not required to insure their liabilities with insurance carriers. Similar situations used to exist in Singapore but since 1975, employers have been required to insure their liabilities. Workmen's compensation in Malaysia and the Philippines is now arranged on the social insurance principle with contributions coming from employers alone; in general, the amount of contribution represents about one per cent of the total salary credit paid to employees. Social insurance surpasses individual arrangement by employers as it ensures prompt payment and minimises the chance for employers to evade their responsibilities.<sup>52</sup> Higher and more comprehensive

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<sup>52</sup> As Thompson observed, 'Whilst some employers have exemplary and very progressive standards in respect of medical care and compensation for injured workers, it has been a very widely observed practice amongst a large proportion of employers to resist claims made by their employees. As a result, very lengthy delays of many months and even years in the settlement of claims has been a marked characteristic of employers' liability schemes for employment injuries. This has led to some malpractices such as the acceptance by workers of less than the prescribed amounts of compensation, which also can be attributed to the wish of workers to retain the goodwill of their employers. The position of dependants making claims tends to be weaker due to illiteracy and a lack of understanding of legal matters. Intervention by the authorities responsible for the supervision of the legislation, and the efforts of trade unions, have helped workers and their dependents to some extent. Some countries have stipulated compulsory insurance of the liability with private or public insurance carriers. However, these various safeguards have not rectified all of the fundamental faults of the workmen's compensation scheme.' Kenneth Thompson, 'Effectiveness and Shortcomings of Various Types of Social Security Measures Adopted by Developing Countries in Asia', in Report on the ILO/NORAD Asian Regional Seminar on Social Security, National Economy and Planning, op.cit., pp. 66-67.

benefits are also provided when the principle of social insurance is adopted in workmen's compensation as pensions could then be provided in place of lump sum payments.

Temporary disability benefits are provided in all four countries studied and though the amount, ranging from full wages of 14 days in Singapore to 60 per cent of average earnings throughout the period of disablement in Malaysia, is usually less than what the injured workers used to earn, a steady income could be ensured. Greater variations occur between the four countries in compensations for permanent disability and fatal accidents. In Singapore and Hong Kong, only lump sums are payable; the compensation is larger for totally incapacitated workers than for survivors of deceased workers in case of fatal accidents. Pensions have taken the place of lump sum payments in Malaysia and the Philippines and are now provided for disabled workers or their survivors. In Malaysia, pensions are paid throughout the period of disablement but in the Philippines, they are only payable up to five years. Despite the limitations of the Philippine system, social insurance is definitely a more satisfactory arrangement than individual employers to insure their liabilities. And workmen's compensation in Singapore and Hong Kong would remain inadequate unless the basis of compensation could be changed from lump sum payments to pensions. As for medical rehabilitation, some form of treatment facilities are available in all the four countries for injured workers. In addition, a recent amendment of the Workmen's Compensation Ordinance in Hong Kong requires employers to compensate injured workers for their medical expenses.

As workmen's compensation in Malaysia and the Philippines is collectively operated as a form of social insurance, it is administered by separate departments concerned with social security: the Social Security Organisation in Malaysia and the Social Security System in the Philippines. These two organisations are also responsible for the administration of other types of social insurance schemes in these two countries. It is note-worthy that workmen's compensation, whether in the form of social insurance or based on individual employer's liability, has always been administered separately from public assistance, though the needs of an industrially injured worker and a person whose income has been interrupted by disability but not arising out of his occupation may be similar. This separation in administration reflects largely the different opinions held regarding the rights to an income, and thus the form in which assistance or compensation should be provided. It is the right of injured workers to claim their compensations but those dependent on public assistance could only wait for others' support.

The last point about workmen's compensation in the four countries is the general lack of vocational re-training opportunities for injured workers. Some form of vocational training is provided in all four for disabled persons but in none of them are these specially designed for injured workers to help them regain or maximise their working capacities. Workmen's compensation in these countries is thus largely remedial in nature; the main forms of protection provided are cash payments, either in lump sums or pensions, and whatever medical rehabilitation they may receive from public hospitals or clinics.

Old age, invalidity and death

	Singapore	Hong Kong	Malaysia	Philippines
Name of scheme(s)	Central Provident Fund 1953	Old Age Allowance 1973 Disability Allowance 1973	Employees' Provident Fund 1952 Invalidity Pension Scheme 1974	Social Security Act 1957
Coverage	Employed persons earning more than S\$10 a month and employment with the same employer for at least 1 month	OAA: persons aged 75 and over DA: severely disabled	EPF: all employed persons IPS: employees of establishments with 4 employees or above who are earning M\$500 a month or less	All employed persons
Source of funds	No contributions for employees if earnings below S\$200 a month; employers contribute 15% of their wages. Those earning between S\$200 and S\$363 contribute 1/3 of the difference between wages and S\$200; employers contribute 15% plus 1/3 of the difference between wages and S\$200. Those earning over S\$363 contribute 1/2 of the contributions of their employers which is fixed at 30% of employees' wages subject to a maximum of S\$450 a month.	Non-contributory, expenditure is financed by general revenue.	EPF: 5% of earnings each for employers and employees according to 24 wage classes. IPS: approximately 0.4% of earnings each for employers and employees according to 9 wage classes.	Contributions for employers and employees are respectively fixed at 4.1% and 2.9% of earnings according to 10 wage classes (contributions include coverage for sickness). Maximum earnings for contribution purposes are limited to ₱1000 a month and reductions are allowed for low-wage employees.

Old age, invalidity and death (continued)

Singapore	Hong Kong	Philippines
Benefits	<p>Old age grant: lump sum equal to total employee and employer contributions plus interests is payable to employees reaching age 55 or ceasing employment permanently or to survivors in the death of employees.</p> <p>Invalidity grant: lump sum equal to total employee and employer contributions plus interests is payable to employees permanently incapacitated.</p>	<p>Retirement pension: payable to employees reaching age 60 who have paid 120 contributions.</p> <p>Invalidity pension: payable to invalid employees who have contributed at least 36 months.</p> <p>Survivor grant, orphans' pensions and funeral grant are payable.</p>
Administrative organisations	Social Welfare Department	Social Security System
Central Provident Fund Board	EPF: EPF Board	IPS: Social Security Organisation



The next group of risks after industrial injuries often covered for employed persons consists of old age, invalidity and death. Old age is more predictable as a risk than invalidity and death but they have the same feature in that when they occur, they would bring an end to the earning capacity of the employed person. The self-employed would encounter similar risks but their need for income protection is usually less than those in wage employment. Some form of income protection measures do exist in three of the four countries studied to cover old age, invalidity and death. Hong Kong is the only exception where such formal schemes are still to be introduced, but arrangements with private insurance carriers have long been made by some employers to offer additional benefits to their employees. The form of protection offered in Singapore and Malaysia is operated through central provident funds; the Philippines has adopted social insurance since 1957 which covers sickness as well. In 1974, Malaysia introduced the Invalidity Pension Scheme as a supplement to the Employees' Provident Fund, but since it is organised in the form of social insurance, it adds a new dimension to the country's social security system.

Regardless of the various forms of benefits adopted by the three countries, the coverage is usually extended to all employed persons. This extensive coverage even in developing countries indicates the universality of the risks of old age, invalidity and death. The financing method of these schemes takes a different form from that of workmen's compensation as the former requires contributions from both employers and employees. The compensation for injured workers is calculated into the production costs which is thus borne by employers; old age, invalidity and death are, however, seen as risks which employees should help play a part in providing for themselves. When Singapore, Malaysia and the Philippines are compared, the rate of contribution for employers is highest in Singapore, at 15½ per cent of the payroll; the corresponding rates in Malaysia and the Philippines is fixed at five per cent of the employees' earnings.

Lump sum payments are still the main form of benefits provided in Singapore and Malaysia for employees when they retire or become invalid, or their survivors when they pass away. The lump sum payable equals the total contributions made by both employers and employees plus interests. It represents therefore nothing more than a savings scheme for employees to cover the needs of their old age, invalidity or death; only that the contributions are shared by their employers. The inadequacy of lump sum payments as a protection for long-term risks like old age have been identified in the inability of the provision to

take into account the effects of inflation and the rising living standard. This weakness in lump sum payments has been rectified in Malaysia when it introduced the Invalidity Pension Scheme and offered pensions to the invalid; dependents would now be ensured a more steady income than was previously possible under the Employees' Pension Fund. Pensions have long existed in the Philippines for those covered by social insurance but they are generally less adequate than those provided by the Invalidity Pension Scheme in Malaysia; the latter amounts to about 60 per cent of previous earnings of an insured person while the former do not normally exceed 50 per cent of what an employee usually received. At present only invalidity is covered by social insurance in Malaysia but plans are in hand to extend the coverage to other risks.

The administration of provident funds, in both cases of Singapore and Malaysia, lies with an independent board comprising equal numbers of Government officials, employee and employer representatives; general supervision is exercised by the Department of Labour. Provident funds accumulate enormous reserves when they are first established since withdrawals are few; they serve as an important source for domestic borrowings. Provident funds are thus favoured in developing countries where resources for investment are specially scarce. Singapore and Malaysia have greatly benefited, economically, from the institution of provident funds which have financed not a few development projects. Furthermore, members of the Central Provident Fund in Singapore have since 1964 been allowed to make use of their credits with the Fund to purchase public housing units.<sup>53</sup> This arrangement has proved highly successful and by March 1975, 78,235 units have been sold under the 'Home Ownership For the People' scheme. Provident funds are thus not without their advantages, though as a form of income protection, they seem to be less desirable than social insurance. Their usefulness, especially for developing countries, is also supported by the fact that as a form of compulsory savings, they may prove to be more acceptable to people who still find the 'pooling of risks' an alien principle. The relative success of provident funds in Singapore and Malaysia indicates that the method is not completely out-of-date. In addition, unless pensions for old age or invalidity are closely related to previous earnings, the protection offered may not be superior to lump sum payments provided

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<sup>53</sup> That any member of the Central Provident Fund can utilize all or part of the amount credited to his CPF account for the purchase of a flat erected by the Housing and Development Board was provided by the CPF (Approved Housing Schemes) Registrations, 1968. The 'Home Ownership for the People' Scheme was, however, first begun in February 1964. See Chua Wee Meng and Ho Koon Ngiap, 'Financing Public Housing', in Stephen H.K. Yeh, ed., Public Housing in Singapore, Singapore University Press, Singapore: 1975, pp. 58-80.

by provident funds. Social insurance in the Philippines and the Invalidity Pension Scheme in Malaysia have only succeeded in giving pensions at 50 to 60 per cent of employees' previous earnings; the protection may therefore be just about as adequate as the provident fund in Singapore.

The complete absence of formal schemes to cover old age, invalidity and death is rather exceptional in a relatively affluent place like Hong Kong. This might be attributed to the reluctance of the Government in the 1950s, because of its political uncertainty, to introduce any measures that would span over a lengthy period. This reluctance should have waned with the return of stability and relative affluence in the late 1960s and early 1970s. But the attitude remains, even until today, that a compulsory social insurance scheme covering the whole population is not practicable in Hong Kong, though a limited contributory sickness, injury and death benefit scheme is proposed for introduction.<sup>54</sup> The institution of disability and infirmity allowances in 1973 recognised, however, to a certain extent the necessity of provisions for old age and disability which are already long overdue. As the disability and infirmity allowances scheme is non-means-tested and non-contributory, it has evaded the issue of contribution. It has proved to be inflexible as a measure to provide for old age and disability as whatever resources available for distribution have to be thinned out between all those eligible. Thus, the need for income protection among the aged and the disabled remains unmet and some form of progressive measures are still to be devised.

In comparing and evaluating the various provisions presently existing in the four countries for old age, invalidity and death, one should note the relatively young populations in these countries. People aged 60 and above account without exception for only five to nine per cent of the population in each of the four countries. This percentage would increase as the populations mature, implying that whatever provisions regarded as adequate at present would become inadequate in ten or twenty years' time unless improvements are made.

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<sup>54</sup> The proposal is made in a Green Paper on A Programme of Social Security Development published in November, 1977 but the Government maintains the position that comprehensive social insurance is not feasible for Hong Kong

Sickness, maternity and related provisions

	Singapore	Hong Kong	Malaysia	Philippines
<b>Sickness</b>	Paid sick leave of 14 days a year for employees; if hospitalised up to 60 days.	One paid sickness day for each complete month of employment accumulated up to 36 days. Each sickness day is paid at 2/3 of average daily wage.	Paid sick leave of 14 days a year; if hospitalised up to 60 days.	70% of average daily wage of 6 highest months during the year, with a minimum not less than ₱2.5 a day and maximum not exceeding ₱12 up to 120 days after a 7-day waiting period (insurance scheme).
<b>Maternity</b>	Paid leave 4 weeks before and after confinement for women employees; limited to 2 confinements.	Maternity leave 4 weeks before the expected date of confinement and 6 weeks after the actual date; paid or unpaid at discretion of employers.	30 consecutive days before and after confinement at the maximum rate of M\$3 a day.	Employers are required to pay 100% of wages to women employees 2 weeks before and 4 weeks after confinement.
<b>Redundancy</b>	Severance payments to redundant workers with 3 years of continuous service.	Severance payments to redundant workers with 2 years of continuous service.	Nil	Nil
<b>Medical care</b>	General medical treatment available in government facilities for all residents; nominal fees charged.	General medical treatment available in government facilities for all residents; nominal fees charged.	General medical treatment available in government facilities for all residents; insured workers injured in occupational accidents are provided care through a panel of doctors and hospitals.	General medical treatment for all residents; better medical care for insured sick workers and dependents. Medical coverage is also provided for insured workers injured in occupational accidents.

Provisions for industrial injuries, old age, invalidity and death have been discussed; other risks bringing an end to the incomes of employed persons are sickness, maternity and unemployment. Sickness of employed persons is covered by social insurance in the Philippines; in the other three places there are only legislations requiring employers to provide for their employees. Measures are similar in Singapore and Malaysia where an employed person is allowed paid sick leave of 14 days a year and the period may be extended up to 60 days if hospitalisation is required. Since 1977, a worker in Hong Kong is entitled to 12 days sick leave a year and paid each day at the rate of  $\frac{2}{3}$  of his average daily earnings; so far as protection for sickness is concerned, workers in Hong Kong thus compare unfavourably with their counterparts in Singapore and Malaysia. A longer sick leave of up to 120 days a year is enjoyed by workers in the Philippines but the maximum they may receive is limited to ₱12 a day or 70 per cent of their average daily earnings whichever is the less.

In all the four countries studied, maternity leave is granted to all female employees during their periods of confinement. Legislations in Singapore, Malaysia and the Philippines require the employers to pay the full wage or a certain percentage of it to their employees on maternity leave; employers in Hong Kong have, however, the full discretion whether or not to pay. As medical care is provided in all four countries as a form of public service, employers are usually not required to pay for the extra medical expenses.

Whereas maternity leave is a regular feature in the four countries, unemployment is a risk which has found no coverage. In Singapore and Hong Kong, severance payments amounting to earnings of two to three months are paid to redundant workers; they represent only a recognition of their service to their employers and are not related to unemployment. Unemployed persons are also eligible for public assistance in Hong Kong but the amount provided is barely sufficient to maintain them at the minimum level of existence. As for Malaysia and the Philippines, although unemployment or under-employment is admittedly a serious problem, unless a full-employment policy has been devised, it appears unlikely that any scheme covering unemployment would be feasible.

Though practically no formal social security scheme exists in the countries studied to provide for sickness (except in the Philippines), maternity and unemployment, the fact that legislations are enforced requiring employers, in

one way or the other, to make the necessary provisions indicates that these risks are recognised by the Governments. It is unsatisfactory that individual employers are left to fulfill their responsibilities, that the interests of the employed persons are not formally protected and the risks not shared between industries. Consequently, a few employers are able to evade their responsibilities and, very often, those who suffer most are workers employed in small establishments. Hence, legislations enacted to ease the different situations of the employed when they are sick, pregnant or made redundant cannot substitute for formal social security schemes which ensure their proper protection.

Related to provisions for sickness, injury and maternity is medical care which in some countries is also regarded as a part of the social security system. Expenses on medical care incurred by sickness or disablement is often a great strain on people whose incomes have already been interrupted. Medical care systems in Singapore, Hong Kong and Malaysia are patterned after the British, though in a less developed form, and attention and treatment are available to the entire population as a public service; only nominal fees are charged. Usually, social security recipients receive no different treatment from the general public. Some changes in the medical care system have been instituted in Malaysia since the institution of the Invalidity Pension Scheme that injured workers are now entitled to treatment provided by a special panel of doctors and hospitals. In the Philippines, employees covered by the Social Security System and their dependents may also avail themselves of better medical care.

The above comparisons have concentrated on social security provisions for employees. Except in the case of the Philippines where dependents of employees are entitled to a limited range of medical services, the other three countries have confined their coverage primarily to persons receiving regular earnings. In other words, the employment status of a person instead of his needs is the determinant factor for his receiving income protection. This emphasis on one's employment status is particularly significant in Malaysia and the Philippines where the majority of the working population are either self-employed or engaged as unpaid family workers; it implies that unless there is a change in the principle of coverage, they would always be excluded and must fend for themselves, depending on whatever assistance is available to them or change their employment status.

To qualify the discussion, it should be pointed out that comparisons of the four countries have mainly been centred around formal social security provisions; voluntary or informal measures taken by groups of people to protect themselves against the various risks have on the other hand been mentioned, as far as information permits, in the case studies.<sup>55</sup> This deliberate omission of informal measures is due to the scope of the present study which defines social security as primarily provisions directly or indirectly administered by a statutory body. The very few formal social security schemes that exist in a country implies that little collective activity is being organised in the society to meet people's need for income protection. Individual persons would always try, either through arrangement with private insurance carriers or through other informal means, to secure for themselves some kind of protection even when they can no longer work. Thus the aggregate resources the entire population actually spends on protecting themselves against various risks would be always greater than is expressed by the formal social security system. This quantity is in most situations determined by the living standard and the amount of resources available in a country. Some countries adopt social security systems which ensure the widest possible coverage of persons while others leave individuals to take care of themselves. There is, however, evidence that with the advancement of industrialization and modernization, social security measures collectively organised are most effective in securing for wage earners a steady income. It is thus the concern of this study to focus on formal social security schemes and the degree to which collective income protection measures have been organised in the four countries.<sup>56</sup> When considering formal social security provisions alone, the public expenditures of the four countries showed that they account for only a small percentage, mostly less than five per cent, of the total Government budgets. Except in the case of public assistance which is accepted as a state responsibility, the responsibility of the Governments is mainly administrative as contributions are only required from employers and employees. With such a small proportion of public resources being spent on social security, it is not surprising that this has seldom been mentioned in the national development plans of the four countries. Social security is, therefore, not yet performing a significant role in the development of the countries.

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<sup>55</sup> International organisations concerned with social security have also narrowed their interest to formal schemes. The roles of informal arrangements are discussed in the present study in the national case studies.

<sup>56</sup> See Vladimir Rys, 'Problems of Social Security Planning in Industrialized and Developing Countries', *op. cit.*

The last topic to be examined is the administrative machinery employed by the four countries to operate their various schemes. Public assistance as a rule is administered in the four countries by departments concerned with social welfare; so long as public assistance is regarded as performing the same functions as other welfare services, this is very likely to continue. Provident funds in Singapore and Malaysia are administered by statutory boards comprising representatives of the Government, employers and employees. A certain degree of employee participation is accepted, though their influence has not been significant.<sup>57</sup> As the resources of a provident fund needs to be invested to the greatest benefit of the members, it must be administered by people who are trustworthy; so far abuse is not heard of about the provident funds in Singapore and Malaysia. The administration of the Central Provident Fund in Singapore has increased in complexity with the provision that members may use their own contributions to pay for the first instalment when buying their public housing unit. The Social Security Organisation set up in Malaysia with the introduction of the Social Security Act in 1969 adopted a completely different structure from those administering public assistance and the Employees' Provident Fund; it forms part of the Ministry of Labour and has branch offices throughout the states of Malaya in areas where wage employment is most widespread. This is so because both of the schemes presently administered by the Social Security Organisation require contributions, either from employers or employees, and they must therefore be under the auspices of an agency concerned with labour. The administration of social insurance in Malaysia would be far more difficult but for the fact that a provident fund which also requires contributions has already been in existence for over twenty years.

Social insurance in the Philippines is patterned after the model developed in a few states of the U.S.A. The Social Security System established to administer the programme is a complex organisation and is one of the offices directly under the supervision and control of the Office of the President. The Chief Executive Officer of the System is the Administrator who is responsible to a Social Security Commission composed of representatives for labour, management and the general public. Like other Government financial institutions such as the Central Bank, Development Bank, Philippine National Bank and the Government Service Insurance System, the Social Security System is attached to the National Economic and Development Authority and has financed a number of development

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<sup>57</sup> Trade unions in Singapore and Malaysia have however little say in the administration of provident funds of their countries.



programmes of the Government. The Social Security System is presently operated through ten regional offices with sub-offices in the provinces; besides the collection of contributions and granting of benefits, a number of educational and housing loans are also available to the members. In addition, as medical attention is included as part of the protection, the Social Security System is in close liaison with hospitals and clinics which provide services for the insured members. The operation of social security in the Philippines is thus the most complicated among the four countries studied. In general, the scale of operation is proportional to the range of schemes provided and the number of persons covered.

## V. Evaluation of Existing Policies Regarding Social Security and Related Issues

Provisions of the various social security systems in the four countries studied have been compared; it leaves to the present section the evaluation of the various existing policies and assessment of the prospect of each country's income protection system. It has been seen that the need for income protection is increasing in all four countries since they are without exception undergoing rapid processes of industrialization and modernization; at the same time, traditional care systems like the family are weakening or are assuming new roles. One can therefore expect new institutions to be created to replace the traditional care systems and meet the need for income protection. However, the new institutions created need not be social security as it is only one of the many strategies through which the unfortunate may be protected or helped in improving their conditions. Whether social security or another institution would be introduced depends on a number of considerations, one of which is the congruence between the institution concerned and the national development goals.

In fact, social security has still to demonstrate its effectiveness in utilising national resources to meet the need of those at the bottom layers of the income hierarchy. It proved to be most appropriate to countries at a relatively advanced stage of development, where wage earners are in the majority. Two of the four countries studied have, however, only begun to industrialize with a large proportion of their working populations still being engaged in agriculture. The feasibility of a comprehensive social security system covering the entire population is therefore in doubt. On the other hand, Singapore and Hong Kong, the two industrial cities, possess conditions much more favourable for the introduction of comprehensive social security programmes; these conditions include a well-developed industrial infrastructure, a large wage earning class, a weakening care network and an effective public administration. Comparing the four countries, social security should be better developed and have a brighter future in Singapore and Hong Kong than in Malaysia and the Philippines.

It is, therefore, rather surprising that in actual provisions, Malaysia and the Philippines should surpass Singapore and Hong Kong. Not counting the Central Provident Fund which was in fact introduced during the colonial days,

the only form of social security existing in Singapore is public assistance plus the out-dated Tuberculosis Treatment Scheme. And public assistance has further become so inadequate that it is no longer providing a basic living standard. Public assistance in Hong Kong is playing a much more significant role as it is presently maintaining more than 100,000 people at a minimum level of existence. In addition, the elderly infirm and the severely disabled in Hong Kong are provided with additional allowances which means that their extra needs are to a certain extent recognised. Nevertheless, contributory social insurance schemes are still non-existent in both Singapore and Hong Kong and this makes them compare extremely unfavourably with Malaysia and the Philippines so far as the provision of social security is concerned. Although Governments in both Singapore and Hong Kong have rejected social insurance as being not feasible,<sup>58</sup> the fact that it has been introduced in Malaysia and the Philippines, which are far less developed than Singapore and Hong Kong makes the excuse extremely difficult to accept. What in fact are the reasons for social insurance to be practised in Malaysia and the Philippines and not in Singapore and Hong Kong? What accounts for the existence of one form of social security and another?

To answer these questions, one must be aware of the fact that an institution could only exist and continue in a society when it is believed, at least by those responsible for decision making, that it is the most effective means possible to meet a certain need or solve a definite problem. The adoption of an institution depends thus on its being considered the most appropriate among a number of possible alternatives. To fully account for the variance in policies of the countries regarding social security, one must not only look at their institutional differences and the varying degrees of needs but also the extent to which social security has been seen as an effective measure in solving the problem of a particular country.

The two case studies on Malaysia and the Philippines showed that the major problems found in the two countries are widespread poverty and under-development. The historical, social and political factors which have contributed to their formation would not be repeated here; it suffices to point out that they do not merely result from inadequate resources but are the consequences of a whole complex of imbalances long existing in the two countries. In the Philippines,

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<sup>58</sup> A semi-voluntary contributory insurance scheme has recently been proposed by the Hong Kong Government which is still, however, unconvinced of the feasibility of compulsory social insurance covering the whole population.

imbalances exist between the rural and urban areas, those working in agriculture and in manufacturing, and the self-employed and wage earners. In other words, so much resources are concentrated in the hands of a small sector of the population that the rest must necessarily suffer from lack of adequate means. Similar phenomena occur in Malaysia where the issue is even more complicated since those deprived of adequate means belong mostly to a particular racial group, the Malays. In order to rectify the imbalances present in these two countries, unfair access to resources must first be attended to.

The New Economic Policy adopted by Malaysia in 1970 represents a desire to lessen the imbalances existing in the country but the Policy aiming at improving the conditions of the Malays could only be carried out because the Malays are politically controlling the country.<sup>59</sup> The New Society announced by Marcos expresses similar wishes to rectify the imbalances present in the Philippines but so far measures to achieve the desired goals are not so vigorously enforced as in Malaysia. Notwithstanding the differences in strategies adopted by Malaysia and the Philippines to improve the conditions of the deprived, social security has not been seen as an important tool. Economic growth, especially the development of the manufacturing sector and thus the creation of employment opportunities, is still considered the most effective or even the only possible method which the two countries may adopt in solving their problems, including poverty and underdevelopment. The belief thus persists that national development consists primarily of economic development and that social improvements can only be made after sufficient wealth has been created. This belief is qualified in Malaysia by measures to ensure that wealth created does not just 'trickle down' to the bottom layers but a certain proportion of it would be shared by the underprivileged class, namely the Malays. Social security however provided is seen in both Malaysia and the Philippines as measures irrelevant to the nations' development objectives.

In fact, though accepting that poverty is widespread, both Malaysia and the Philippines have not sought to eliminate it by providing the people with a minimum living standard. Rather, other measures have been regarded as more appropriate. The Philippines has introduced minimum wages since the early 1950s;

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<sup>59</sup> Even so, doubts have been expressed about the practicability of the New Economic Policy. Othman Ahmad, a former chairman of the Kuala Lumpur Stock Exchange, estimated that Malays collectively might have to subscribe M\$1,000 million each year over the new 14 years [from 1977] to meet the target of 30 per cent bumiputra investment in business equity by 1990, as envisaged under the New Economic Policy. See Far Eastern Economic Review, May 6, 1977, p. 40.

the measure has proved unsuccessful as labour there is in plentiful supply and this has kept wages down. Land reform is another measure introduced in the Philippines to help the poor in rural areas but because of the lack of effective enforcement, it has brought little long lasting effects. Land development programmes have also been launched with some success in Malaysia with the objective of opening up new land for small farmers. Thus, both Malaysia and the Philippines believe that 'development' consists primarily in economic growth and that the conditions of the deprived are best to be improved by measures that help to raise their productivity.<sup>60</sup> While this belief is not particular to Malaysia and the Philippines, as it is generally held by developing countries, studies including those by United Nations agencies have warned of the danger of assuming that economic growth would ultimately benefit the bottom layers of the incomes hierarchy; evidence has shown otherwise.<sup>61</sup> Doubts have also been raised regarding the effectiveness of measures like land reform and the organisation of co-operatives in alleviating poverty and enhancing productivity. Co-operatives have been instituted in both Malaysia and the Philippines as vehicles for organising small farmers in efforts to improve their own conditions. A review of the development of co-operatives in the ESCAP (Economic and Social Commission for Asia and the Pacific) region showed that they have largely failed to achieve their objectives:

In the past, the co-operative, as a self-contained institutional entity, has often been given exclusive attention by rural development strategies. Many ventures have occurred, but co-operatives continue to be proclaimed by many advocates of agrarian reform as if they alone solve all the problems of rural society. Their record in ESCAP countries belie this enthusiasm.

Sometimes the 'original' co-operative ideologies have been changed, in the contemporary context of developing countries, to serve the interests of ruling elites and political parties, or to serve national developmental interests rather than local interests.<sup>62</sup>

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<sup>60</sup> Ferdinand Marcos even declared, 'We should stress self-help, not self-pity, rehabilitation, not dole-outs. We should seek to rebuild lives rather than perpetuate conditions of misery through palliatives. Let us shed the image of paternalism and become instead a catalyst for a new and more meaningful way of life. Let us help the disadvantaged person rise out of his helpless condition to a state of self-sufficiency.' Quoted by Nathaniel B. Tablante in a speech at the 10th Biennial Conference of Social Workers, November 1975. Social Work (Manila), Vol. XX, No. 4 (October–December 1975), pp. 20–21.

<sup>61</sup> The 'trickle down' theory is insubstantial as the creation of wealth does not necessarily imply a fairer distribution of resources among the population.

<sup>62</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Economic Bulletin for Asia and the Pacific, Vol. 26, No. 4 (March 1976), p. 11. And United Nations Research Institute for Social Development, Cooperatives and Development in Asia, Geneva, 1972, p. 13.

Land reform measures have likewise been criticised for having scarcely improved the conditions of the rural poor:

... their [land reform measures] effectiveness has been limited. There are many interrelated causes of this situation: the lack of political will on the part of the governments concerned; the economic, social and political power of landlords; the lack of bargaining power of the rural poor; the loop-holes in the law; the lack of adequate administrative machinery for enforcement; the pro-landlord bias in the administrations concerned; the absence of land records indicating who is cultivating what lands; and the lack of supporting services, such as legal services, credit and inputs for the rural poor.<sup>63</sup>

Thus, while co-operatives and land reform programmes are laudable in their objectives of eliminating exploitation, and achieving greater social equality, ways and means have yet to be found to bring about the desired changes. Studies by ESCAP suggested that institutional reforms would be not less important than the introduction of co-operatives and land reform programmes. Such institutional changes involve the elimination of all conditions permitting exploitation and suppression, and the establishment of an infrastructure to allow people a fair access to opportunities of developing their own potentials.<sup>64</sup> Evidences showed that land reform programmes or co-operatives alone are unable to produce lasting changes unless accompanied by efforts to remove obstacles preventing 'development'. This is confirmed by Gunnar Myrdal's observation that:

While land reform and tenancy legislations are, at least in their interest, devices for producing fundamental alterations in property rights and economic obligations, the 'co-operative' approach fails to incorporate a frontal attack on the existing inequalitarian power structure.<sup>65</sup>

It is obvious that for countries like Malaysia and the Philippines where inequalities exist in practically every aspect of the societal structure, land reform programmes

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<sup>63</sup> Economic Bulletin for Asia and the Pacific, Vol. 26, No. 4 (March 1976), p. 144.

<sup>64</sup> UNESCAP recommended a new approach to rural development which consists of four principal characteristics: 'First, it emphasizes the participation in both the planning and the implementation of development-oriented activities of those whom it is intended that development should benefit. Second, it entails an integrated approach so that several different aspects impinging on the development progress are tackled together. Third, it recognises that rural activities need to focus directly on the rural poor. Fourthly, it also recognises that, for development to become institutionalized, it is essential that independent organisations of rural people be fostered. . . .' Economic Bulletin for Asia and the Pacific, Vol. 26, No. 4 (March 1976), p. 10.

<sup>65</sup> Gunnar Myrdal, Asian Drama, Penguin, Harmondsworth, 1968, p. 1335.

and co-operatives are often ineffective by themselves to improve the conditions of the poor peasants.<sup>66</sup> The ultimate test of the success of co-operatives is in fact not so much the resources they can mobilise but their 'impact on the life of the individual, community and society.'<sup>67</sup> Apart from failing to achieve their objectives, co-operatives have also been criticised for having been taken advantage of by corrupt officials. The 'Masagana 99' programme of the Philippines is a typical example; though the scheme is managed by the Government through the Land Bank, it is based on the principle of co-operatives. Some co-operative even resulted in benefiting elite groups in the rural sector and further accentuating the imbalances. The 'co-operative' approach has in fact never proved successful even in maintaining the peasants in Malaysia and the Philippines at a minimum level of existence and ensuring a fairer distribution of resources. Undoubtedly, social security in the form of cash payments has a weaker appeal than co-operatives which stress the development of the potentials of the disadvantaged. However, unless co-operatives or similar measures like farmers' associations are effectively administered, they would be unable to achieve their objectives of lessening the imbalances. Yet, for the time being, the 'co-operative' approach would remain the dominant ideology in the two countries as the most acceptable means of alleviating the plight of the rural poor. This is also the view of a consultant report on ESCAP countries:

Co-operative organisations enables the rural population to mobilise itself for a variety of projects of material and social capital formation. It greatly facilitates the use of surplus labour power. It facilitates joint saving for community projects which are deemed urgent from a productive social development point of view. By pooling their individually limited resources and their experience, and skills, they prepare the ground for more rational management.<sup>68</sup>

On the other hand, any form of 'welfare handouts' is derided:

Social development is not a gift of the central government but is basically the responsibility of people themselves through the self-managed communities and area organisations of which they are part. Thus social development is not perceived as a rescue or relief operation by the authorities, handing out 'welfare' but it relies on and strengthens self-reliance.<sup>69</sup>

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<sup>66</sup> As UNESCAP observed, 'Many countries have used co-operative societies as distributors of credit to small farmers. But the societies have been notorious for their inability to collect outstanding loans, their dependence on other institutions for finance, their inefficient and poor management and the diversion of their purpose to that of serving elite groups in the rural sector.' Economic Bulletin for Asia and the Pacific, Vol. 26, No. 4 (March 1976), p. 8.

<sup>67</sup> Co-operatives and Development in Asia, *op. cit.*, p. 13.

<sup>68</sup> United Nations Economic and Social Commission for Asia and the Pacific, Premises and Implications of Unified Approach to Development Analysis and Planning, Bangkok, 1975, p. 57.

<sup>69</sup> Ibid., p. 66.

Hence, as the mood of the moment emphasizes 'self-sustaining development springing from the initiative and the full participation of the masses in the organisation of their community and society, . . .',<sup>70</sup> it appears unlikely that Malaysia and the Philippines would greatly expand their existing social security programmes to meet the needs of the rural peasants for whom other measures are believed to be more appropriate. These measures include those which aim primarily at changing the conditions leading to poverty rather than meeting the immediate needs of the rural poor. In comparison with education, health and child care services, social security measures are usually seen as being less relevant since the former present greater possibilities of improving the basic conditions of those in unfavourable positions and thus their chances to advance themselves. In Malaysia and the Philippines, the provision of universal education has long been regarded as the most important institutional reform that offers the children of the disadvantaged a chance to compete with others; expenditures on education are exceptionally high in the two countries, forming the largest item on the Government spending list. Whether or not education or other forms of social services provisions would achieve the desired objective of producing a more equalitarian society is, nevertheless, still to be evaluated; but the tendency is for those already in a better position to take greater advantage of the provisions, though universal, than those who need them most. In other words, rural peasants who represent the majority of the population in Malaysia and the Philippines would remain poor and benefit only marginally from the provision of social services unless these measures are specially tailored to increase their chances of gaining a fair share of the accumulating wealth.

The relationship between social services and social security, and the priorities given each, is an issue that each country has to work out for itself.<sup>71</sup> In developing countries, such as Malaysia and the Philippines, social services aiming at the improvement of people's conditions would naturally be considered more important than social security which has its origins in industrialized countries. Under such circumstances, social security even when provided is largely equated with assistances, whether in cash or in kind, provided by the government in relieving the destitute. It is not unlike a form of social services provided by the government as an expression of its concern for the welfare of the needy.

Social insurance in Malaysia and the Philippines thus serves a very restricted function of protecting the wage earners whose conditions are often better

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<sup>70</sup> Ibid., p. 29.

<sup>71</sup> For a discussion on the relationship between social security and social services, see International Social Security Association, Social Security and Social Services, research and studies series No. 6, Geneva, 1974.



than other sectors of the working population. The interests which social insurance schemes in these two countries try to safeguard may therefore be described as sectoral rather than national. The number of persons so protected tend necessarily to be limited, particularly as Malaysia and the Philippines have over half of their working populations being either self-employed or unpaid family workers. Social insurance in Malaysia and the Philippines thus confirms the principle that 'one who has much will receive more' as it accentuates the imbalances rather than reduces them. There is no denying that some equalising effects have been achieved by the social insurance schemes of these two countries but they have been confined to members of the same economic class rather than between classes. These schemes are thus not as progressive as they first appear and Malaysia and the Philippines should not be taken as being advanced in social security development.

It has been pointed out that it is rather exceptional for public assistance to remain the main form of social security provided in Singapore and Hong Kong. Both places had at one time considered the feasibility of introducing social insurance and both had ultimately rejected it on no particular grounds. Undoubtedly, notwithstanding the affluence which has been achieved, pockets of poverty still exist and the adverse effects of industrialization and modernization are only surfacing. But the economic successes achieved by these two cities make both Governments believe that so long as growth could be maintained, people would automatically benefit from the rising living standard. All activities should therefore be geared to maintaining a high economic growth rate; factors in any way hindering or obstructing this growth must, on the other hand, be removed or prevented from exercising an influence. In addition, as the economies of both Singapore and Hong Kong are export-oriented, warnings are often given about the necessity of keeping their products competitive in overseas markets. And one of the means to keep products competitive is to reduce, as far as possible, the production costs. Since any social insurance scheme would require contributions from employers, it is easily seen as adding to the production costs and must therefore be rejected. The cautious attitude taken by the two Governments regarding the adoption of social insurance may not be unfounded but it has reached such an unreasonable magnitude that some people have begun to take it as an excuse to deprive the workers in the two places of a fair share in the growing prosperity. They have thus argued that the chief concern of today in Singapore and Hong Kong is no longer the creation of wealth but a fairer system of distribution. On the other hand, Government policies in the two cities encourage employers to arrange informally

with their employees the extent and ways in which profits may be shared. They may be in the form of bonuses granted at the end of the year or special allowances for housing and education of children. The purpose of these informal arrangements is, however, to stimulate growth of individual companies rather than to meet the need of employees for income protection; they may best be regarded as a form of profit sharing rather than social security. These benefits are moreover confined to the employed.

However, nothing can yet change the belief, so firmly held by the two Governments in Singapore and Hong Kong, that economic growth is the only solution to the nations' problems, for only growth can produce adequate resources for the introduction of necessary social reforms. Thus, even in areas of social services, priorities are given to education, medical care and housing, services which directly or indirectly help speed up the growth process rather than welfare services or social security which have a strong connotation of consumption.<sup>72</sup> With this emphasis on growth, it is not surprising that a comprehensive social security system is rejected as not feasible in these two cities which have both achieved relative success in their economic development.

In brief, the Governments of Singapore and Hong Kong do not believe that they should introduce social security on an extensive scale. It is especially so in Singapore where the 'work ethics' ideology stresses that one's right to a basic living standard is based on what he has contributed through his work and not on his needs. A provident fund scheme is therefore more acceptable as it is primarily a savings scheme, though it also requires the contribution of employers; social insurance based as it is on the principle of 'pooling of risks' is seen as an excuse for the 'weaker' members to depend on the 'stronger'. It is

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<sup>72</sup> Certainly, the Singapore Government does not regard public housing as a form of consumption. Yeh wrote: 'But Singapore's public housing, urban renewal and other related activities must not be seen only as a vehicle for improving standards of living and furthering social development in which the level of consumption has been substantially raised. We should also stress public housing's contribution to production. There are indeed significant external economies generated by the construction of Housing and Development Board units and certain management policies. Besides being a tool for income distribution, public housing in Singapore has played a substantial role in employment generation, in expansion of the construction materials industry and in upgrading the level of skills of the construction sector in general. We have not made a comprehensive assessment of the multiplying effects of public housing on economic growth, though undoubtedly they must be very substantial.' Stephen Yeh, Public Housing in Singapore, Singapore University Press, Singapore, 1975, p. 351.

further feared that too much 'security' would encourage a person to be lazy and unproductive. This fear may be regarded by some as being excessive but so long as the Singapore Government adopts this attitude, any change in policies regarding social security seems unlikely. The main obstacle to the development of a comprehensive social security system in Singapore and Hong Kong thus remains one of 'ideological disbelief' in its appropriateness to a growing economy; it is feared that its introduction would lower a person's incentive to work and take care of himself. This ideological disbelief is difficult to overcome as it is irrational in nature and overshadows all other factors which may argue for the introduction of social security. It will, however, change with time, as circumstances would demand an innovative method to meet the rising need for income protection. The increasing number of old people in the population and the rising incidents of hazards associated with modern economies suggest that Singapore and Hong Kong, two of the most industrialized societies in East and Southeast Asia, must soon attend to the income security needs of their populations. It will also be difficult for the two Governments to reject social security on ideological grounds when the need for such measures become obvious. The recent proposal for contributory insurance schemes in Hong Kong, though only covering a limited range of short-term risks, indicates that sooner or later, the two Governments must come up with concrete measures that can meet the need for a continued income.

The examination of social security policies in the four countries studied indicates that societies vary in their levels of social and economic development, the need for social security and hence the ways in which it should be provided also differ. It has been seen that no single factor, not even the extent of poverty nor the degree of industrialization, can alone be the determinant; the provision of social security is related to a host of features ranging from the development goals of a country to the specific structure of families and communities. As the provision of social security is not decided on one or two considerations, governments may therefore find very dissimilar measures for a seemingly common problem. The different approaches adopted by the four countries studied indicate that one must be very careful in differentiating what is universally true to all countries from what is specially true to only one. Comparisons of the four countries point to a conclusion that the need for social security generally increases as a country begins to industrialize but whether it will be provided is dependent on a multiple of institutional, social, economic and ideological factors.

## CONCLUSION

The four places included in this study do not represent in every respect all countries in East and Southeast Asia; Singapore and Hong Kong both as international cities may even form a class in themselves. There is no doubt that each country has its own characteristics, but it must also be recognised that despite their historical differences, all countries at a certain stage of social and economic development face similar problems; and as possible options available to solve them are rather limited, measures adopted by various countries often share many similarities. Furthermore, countries usually act rationally in response to the demand of circumstances and although they may normally choose among a number of alternatives, their decisions and the subsequent courses of action are explicable. It is because of these that countries can be compared and, with some qualifications, their experiences applied to others in similar situations.

The present comparison indicates that notwithstanding the different forms in which social security has been provided, the need for income protection, whether expressed as a demand for a basic living standard or a fairer distribution of resources, is felt in all the four countries studied. This need is not unique to the four countries as it is probably felt by people all over the world, in developed as well as underdeveloped countries. What this study does reveal, however, is that this need, though existing for all, is most deeply felt by people who have voluntarily or involuntarily been removed from the traditional care systems and are presently engaged in jobs which recognise only their working capacities; in other words, they are rewarded solely because of their economic value. This explains why in Malaysia and the Philippines, two predominantly agricultural countries, social insurance is considered necessary for a sector of the working population who are dependent on wages as their main source of income; it may not be feasible for the rest who are either self-employed or working as unpaid family members. This means that people in these countries are basically expected to provide for themselves in times of need through the employment of traditional methods like saving up or simply relying on the assistance of other family members. This is especially true of the self-employed or unpaid family members as their incomes are not necessarily expressed in monetary terms; they are thus excluded from the provision of the formal social security network. Their exclusion is also due to the conception that since the majority of them are engaged in primary production, they can relatively easily subsist on their own produce and are seldom completely deprived of the means of maintenance. Of course not all

people engaged in primary production are able to live above subsistence, and in both Malaysia and the Philippines large scale undernourishment still exists, but it is generally believed that those not receiving wages usually have a lesser need for income security.

The experiences of Malaysia and the Philippines show that the need for social security is different in the same country for different groups of working people. For those receiving wages, social insurance is not only considered feasible, but it may also reach a level of sophistication comparable to arrangements in highly industrialized countries. The Social Security System in the Philippines, first introduced in 1957, has already achieved advance development with benefits covering almost every risk and the recent inclusion of workmen's compensation and medicare makes the System even more comprehensive. The adoption of social insurance by the Malaysian Government in the early 1970s further affirms the practicability of social insurance in countries with a relatively low degree of industrialization.

Nevertheless, it should not be assumed that the adoption of social insurance in Malaysia and the Philippines would by itself imply its gradual extension to the whole population. The experiences of these two countries suggest that in meeting similar needs for income security, different methods may be employed in accordance with the varied situations of different sectors of the population. However, the adoption of social insurance by less developed countries like Malaysia and the Philippines implies that the idea is refutable that sophisticated social security schemes involving contributions are only feasible in highly developed and industrialized countries. But while social insurance may be practised in developing countries, it is not necessarily an indication of the elimination of dire poverty. In other words, while one sector of the population may be covered by comprehensive social security provisions, another sector may still be living below subsistence. The juxtaposition of social insurance and extreme poverty in both Malaysia and the Philippines suggests that the income security needs of the self-employed or unpaid family workers vary widely from those of wage earners, so that different strategies are required to meet all these needs. The policies adopted by Malaysia and the Philippines show that social security has not been seen as an effective measure to solve the problem of poverty; instead, both countries prefer to introduce programmes aiming at increasing the productivity of marginal workers. The superiority of these measures, such as the organisation of co-operatives and farmers' associations, have yet to be proved by improvements in the conditions of those at the bottom stratum

the ill-effects of industrialization. Although Singapore and Hong Kong have so far succeeded in delaying the introduction of social insurance, the present study shows that it can only be temporarily suppressed in a growing economy but not forever dispensed with. The demand for social insurance will remain and grow in prominence when economic development begins to slow down in the two cities and people become less optimistic of their future. Under such circumstances, workers in Singapore and Hong Kong will be as desirous of a greater degree of income protection as their counterparts in Malaysia and the Philippines.

The present study also shows that affluence is not a pre-condition for the introduction of comprehensive social security programmes. Singapore and Hong Kong are two of the most affluent places in East and Southeast Asia but social insurance exists in neither of them. Thus social provisions do not necessarily come after economic growth and there is no guarantee that wealth created by industrialization would lead to higher social expenditures and elaborate social security schemes. On the other hand, the enormous reserves accumulated by provident funds in Singapore and Malaysia and social insurance in the Philippines suggest that instead of being a strain on national resources, contributory social security schemes can be an important source for financing economic development projects. This function is particularly significant in developing countries where capitals needed for various development projects are in scarce supply. To a certain extent, this affirms Galenson's findings that it is not the most highly industrialized countries that reap the greatest benefit from the provision of social security but those at the intermediate level.<sup>1</sup> The contribution of social security to national development, especially in providing funds for investment, has seldom been recognised. The operation of provident funds in Malaysia and Singapore and social insurance in the Philippines is strong support for the argument that developing countries have in fact much to gain from the institution of contributory schemes. Social security cannot, therefore, be simply regarded as a form of consumption as it may also produce important economic benefits.

Provisions for industrial accidents injury compensation are generally different in nature from schemes covering other risks. In the four countries studied, occupational injuries are usually the first type of risks covered by formal social security arrangements. The responsibility to compensate workers rests without

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<sup>1</sup> Walter Galenson, 'Social Security and Economic Development: A Quantitative Approach', Industrial and Labour Relations Review, Vol. XX1, No.4 (July 1968), pp. 559-569.

exception in the four countries on employers. That social security so often begins in developing countries with coverage for occupational injuries is evidence of their recognition of the fact that industrialization brings with it certain ill-effects, the costs of removing which must be borne by those reaping the profits; besides, compensation for injury is too obvious a need to be ignored. The workers thus have a claim on state protection in case of injuries and the enforcement of appropriate legislations is regarded as a government responsibility. In all four countries studied, the task of overseeing the enforcement or organisation of appropriate legislations or schemes fall on the department or ministry concerned with labour or employment, which is quite separate from that administering welfare services. The development of workmen's compensation in these four countries further shows that although the responsibility of compensation may first be simply regarded as a liability of the employers, it would gradually be formalised with regulations either requiring them to insure themselves with private insurance carriers or contribute to a government-run scheme. Workmen's compensation in Malaysia and the Philippines is administered by a government department concerned with social insurance and is now generally considered part of the whole social security network in the two countries.

But provisions in the four countries indicate that despite its universality, workmen's compensation remains largely remedial in nature with benefits consisting primarily in cash assistance. The conservation of human resources is still not a major concern of the arrangements since rehabilitation facilities to restore and maximise the residual skills of injured workers are almost non-existent. This is because workers in the four countries are mostly unskilled and even in Hong Kong, the most industrialized among the four, the educational attainment of the majority of workers is only slightly above the primary level. In addition, populations in the four countries are still very young and workers are in plentiful supply. It will thus be some time before the conservation of scarce human resources would become an important consideration in workmen's compensation schemes.

Time and again the development strategies of the four countries have been mentioned in relation to the provision of social security, as its institution has to compete with other items in the allocation of national resources. It has been seen that Governments in the four countries have all, to a greater or lesser extent, conceded to the necessity of providing for those in dire want. But a stringent test of means is without exception required of applicants as resources available for distribution are generally insufficient. This is also affected by the

accepted belief that state assistance programmes should only be confined to those in extreme poverty. The state is in fact not expected to maintain everyone above the subsistence level, the practice being to concentrate resources on those unable to help themselves. Able-bodied persons, no matter how needy, are expected to provide for themselves. As assistance is purely intended for those unable to help themselves, they are often provided in the four countries together with welfare services. People dependent on assistance in the four countries are hence regarded as not only lacking in the means to support themselves but also inadequate in other respects. The association of welfare services with assistance provisions is indeed a common feature of most developing countries; but the expansion of public assistance in Hong Kong and the introduction of non-means tested allowances suggest that as more resources are accumulated in a society, the emphasis of assistance programmes will be shifted from people's means to their needs. However, before this could occur, there must first be a change in attitude regarding people's right to assistance, and acceptance of the fact that most people are not poor because of laziness. Ideologies upheld in a society determine to a large extent the kind of social security programmes provided and the inadequacy of public assistance in Singapore cannot but be explained by the Government's disbelief in its desirability as a measure to help the poor.

Development strategies of developing countries can be broadly classified into three types, namely the growth-oriented approach, the employment-oriented approach and the poverty-oriented approach.<sup>2</sup> Without going into details of the different development strategies, it suffices to point out here that they have been variously adopted by the four countries studied. Singapore and Hong Kong are undoubtedly growth-oriented with so much stress given to the importance of economic growth as a pre-requisite to development in other areas. The creation of employment opportunities is of course not neglected, especially by the Singapore Government in the early 1960s when unemployment was rife, but the economies

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<sup>2</sup> The primary objective of the growth-oriented approach 'is to increase the rate of output within an economy over a period of time mainly by increasing the rate of capital formation.' The growth objective is modified in the employment-oriented approach which views employment promotion as the principle means of spreading the benefits of economic growth. The anti-poverty approach recognises that efforts to accomplish redistribution of income through greater access to productive employment still exclude those outside the 'organised' sectors of the economy; it thus broadens its objective to include the transformation of social structures such as access to education, health facilities and the pattern of land ownership. See Franklyn Lisk, 'Conventional Development Strategies and Basic-Needs Fulfilment', International Labour Review, Vol. 115, No. 2 (March-April 1977), pp. 175-191.



of the two cities are undoubtedly geared to rapid growth. Malaysia and the Philippines have, on the other hand, at various times employed all three strategies. These two countries have a relatively more serious problem of underemployment and poverty; economic growth which does not produce the desired effect of creating employment opportunities and reducing the extent of poverty is unlikely to be accepted as a national development goal. This does not mean that policies aiming at employment creation and poverty eradication would take precedence over that for economic growth, but equal consideration would be given to all three. The obstacle to the provision of social security is thus its being seen as contrary to the development strategies of a country so that it must be rejected in pursuance of national goals. There is no concrete evidence to show that social security is in fact contrary to the goals of national development in the four countries studied, though the two Governments of Singapore and Hong Kong have repeatedly emphasized the incompatibility between social security and economic growth. Comprehensive social security provisions have to be sacrificed, according to such belief, at least for the time being, in these two cities in order that rapid economic development may be achieved. The existence of social insurance in Malaysia and the Philippines indicates, on the other hand, that more comprehensive programmes can be accommodated in countries with development policies emphasizing employment creation and poverty eradication, where it is not seen as contrary to national development goals. It may thus be concluded from the present study that the provision of social security is not entirely determined by institutional factors, or by the need for it, or the stage of social and economic development, but it is closely related to a country's national policies, particularly the views held by those responsible for making decisions regarding the functions that social security may possibly have.

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