

Why is Social Security Development Limited?

—A Comparative Study of IRA in Singapore, Taiwan, Hong Kong and Mainland China—

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〈感念與感恩〉

黃老師是我的恩師、恩人。沒有他，我不會入行學術，也不會走上社會之路。為了紀念他對學術的貢獻，對我的提攜之恩，原計畫以他在大法官會議釋字第549號的名言「國家對人民社會安全義務負有擔保責任」為題，檢討台灣的社會救助制度，批判台灣社會救助法制與實務採行虛擬工作與虛擬所得的不人道作法，進而要求務必對所有有工作能力者提供工作機會並給予最基本的保障。然而，奮力數月之後，竟仍未完稿。因而，提出這篇「何以社會安全發展受到限制？」的論文。此一論文，是我在人民大學東亞社會安全論壇中亞歐論壇的報告。經由二十餘年來對社會政策與社會安全法制的觀察與研究，以為目前最重要的工作，不在於研究「何以需要社會安全？」「社會安全的內容為何？」或「如何推動或改革社會安全？」，而是「何以社會安全被質疑，被污名化？」「是誰反對社會安全？」「他們如何反對社會安全？」這些問題不能解決，社會安全不可能健全發展，福利國家無由實現。而在所有反福利國家的論述中，最具代表性的就是「以私人化的個人帳戶取代社會保險企圖與策略」。當台灣擬制訂勞工退休金條例並建立個人帳戶之時，黃老師及我等憂慮無限，也因以成立國際勞雇基金會並舉辦「勞工退休制度國際比較」之國際會議。當時，我的演講主題是「勞退新制——向上提升或向下沈淪？」其後，在布魯塞爾，我以Privatization Versus the Right to Social Security: The Taiwan Case為題繼續此一議題。到了北京，我則以Why is Social Security Development Limited?為題，繼續探究此一世紀災禍的根源。這篇論文，主要的論點尤在，主張自由經濟的經濟學家及世界銀行，他們所主張的竟是古老東方的父權思想。西方的流行學說和古老東方遺毒的結合，就是福利國家難以發展的重要因素。當退休基金已成為華爾街的金

錢遊戲要角之時，個人帳戶也成了金融海嘯與世局動亂的一大主因。這些演講是一脈相關的，這些議題都是黃老師最為關心的議題。緬懷恩師，謹獻上此文，繼續追隨恩師的學術精神與事業。

1. Introduction

The IRA (Individual Retirement Account) scheme is not a form of social security but rather a compulsory savings scheme, which discourages the pooling of social risks and social solidarity. Moreover, the IRA is not only the replacement of a social security scheme, but also the means employed to dismantle it. According to the World Bank's (1994) three-pillar proposition, it asserts that: the IRA will inevitably take the place of the social insurance system and the goals recommended by the ILO Convention No. 102 will be ignored eventually.

This paper is concerned with the development of the social security schemes, particularly the non-development and underdevelopment of social security systems. For these purposes, this research will review the retirement payment schemes in Singapore, Hong Kong, Taiwan and China. These four regions and countries, generally speaking, are called Chinese Society or the Chinese cultural area, and have established IRAs one after another. Following the case studies, this work is going to enquire whether there is any common element shared by these four regions and countries that led to their introduction of similar schemes.

This research will, firstly, discuss the economic, social, political and cultural backgrounds of these four regions and countries and, secondly, compare the differences and similarities

between social policies and social security schemes employed in these four societies. Lastly, this study will examine why and how the preference for the IRA is formed. It is noteworthy that the passiveness towards the development of social security schemes of the Chinese Society states may have a great thing to do with the reform of their current social security policies and institutions.

2. Comparison of Economic, Social, Political and Cultural Contexts

2.1 Economic Contexts

It is doubtless that, in terms of economics, Singapore, Hong Kong and Taiwan belong to the market economy; on the contrary, China has been a planned economy since 1949 and the economic reforms after 1978 have given birth to a Socialist Market Economy that has greatly changed the society.

Singapore, Taiwan and Hong Kong became East Asian dragons in the early 1980s. Nowadays, with the rise of China, Russia, India and Brazil, these four fast-growing developing countries are called BRICs. That is, a highly developed economy is the thing that these four regions and countries have in common. Besides, uniquely, these four regions and countries hold huge amounts of foreign exchange reserves.

2.2 Social Contexts

Undoubtedly, Singapore, Taiwan and Hong Kong were tremendously industrialised in the past few decades. It is

unavoidable for all of them to face all the social problems experienced in advanced industrialised countries. In China, despite industrialisation and urbanisation increased, especially in coastal areas since the onset of economic reforms, the agricultural population was still greater than that of the other three regions and countries. That is, the social problems in urban and rural areas of China may need to be separately treated. The discussion in this paper will focus on the development of social security schemes in Chinese urban areas, where the social risks of industrial workers are not different a lot from that in Singapore, Taiwan and Hong Kong.

2.3 Political Contexts

The political settings in these four regions and countries vary significantly. Singapore's polity may not be that different from the West, but the rule of the Lee's family, namely Lee Kuan Yew (1959-1990) and Lee Hsien Loong (2004-present), characterises Singapore as a familial or patriarchal leadership.

Taiwan's polity used to resemble that of Singapore. The dictatorship of Chiang's family and Kuomintang between 1949 and 2000 encouraged a paternalistic ideology towards politics and monopoly of political party. However, the change of ruling power in 2000 considerably reduced the influence of familial and patriarchal politics.

Hong Kong was a British Colony from 1842 until its return in 1997, when it became a Special Administrative Region of China. Although Hong Kong seems to be a parliamentary area (i.e. LegCo), its organisation is different from that of legislatures in the West and

the Chief Executive is not voted for by the general population.

Singapore was a Crown Colony from 1867 and ruled together with Malaysia after the Straits Settlement established, but has been isolated from Malaysia since 1965. In addition, Taiwan was a Japanese colony between 1895 and 1945. In this view, Singapore, Hong Kong and Taiwan have shared experiences of being colonies and were necessarily influenced by Britain and Japan.

China has been ruled solely by the Communist Party since the People's Republic of China was founded in 1949. Although China successfully introduced a Socialist Market Economy in the late 1970s and has been growing in prosperity since then, the "three representatives" of political arrangements confirm that the Communist Party dominates all aspects of the country. Nowadays China still abides by socialism, which was the foundation of the "Socialist Market Economy".

2.4 Cultural Contexts

Although Singapore, Taiwan, Hong Kong and China are all part of Chinese Society, the so-called 'Confucian' or 'Chopstick Cultural Area', in general, in terms of culture, they differ from each other in several ways.

Geographically, Singapore is located in Southeast Asia and is close to Malaysia, Indonesia and so forth. With regard to the composition of its population, the largest ethnic group in Singapore is of Chinese origin and constituted 74.7% of the populace in 2008. However, Singapore's location makes it the least influenced by Chinese culture of the four cases, therefore Singaporeans cannot be

characterised as pure Chinese in terms of culture.

In Hong Kong, although 95.0% of the people were Chinese according to the 2006 census, the languages most commonly spoken are not the official Chinese language (i.e. Mandarin) but Cantonese and English. The region was a British colony for more than 150 years therefore Hong Kong has its own character and culture.

Because the Taiwan Strait separates Taiwan and China, as well as the fact that it experienced half a century of Japanese occupancy and another fifty years of rule by the Kuomintang after 1949, Taiwan has obviously developed differently from China. Nevertheless, about 98% of Taiwanese people originate from mainland China and the official language is the same as that of China. With regard to the above mentioned aspects, undoubtedly, Taiwan is culturally Chinese.

It is widely agreed that China was the origin of Chinese culture. Although Chinese is the dominant ethnic group in China, the respect for cultures and languages of minority groups makes for a diversified culture in this big country. In this sense China differs from Taiwan. Nonetheless, the prosperity of the coastal provinces is bringing changes to the rest of China, which is subsequently narrowing the gap with Singapore, Hong Kong and Taiwan.

Besides the lifestyle aspects mentioned above, the four cases share two additional cultural similarities worth noting: firstly, a tendency towards paternalism that is rooted in Chinese culture; secondly, the experience of Westernisation caused by colonisation.

Paternalism in China and Chinese Society was underpinned by the domination of kinship and clanship and the tradition of "filial piety". From the perspective of the empire, the rule of imperialism

meant obedience and rule by others overrode values such as freedom, human rights and self-administration for thousands of years.

With regard to the influence of Western culture, Singapore, Hong Kong and Taiwan were obviously Westernised during the colonial period; while China was suppressed by Western industrial countries at that time. As a result, in contemporary China, pride in Chinese culture was wiped out and the society submitted to and revered the West, particularly in its popular policies and theories as well as Marxism and Leninism. As a result, the so-called "colonisation attitude", which means to unconditionally accept and copy everything from the West, was, and still is, the cultural phenomenon shared by these four regions and countries.

3. Comparison of Social Security System and Social Policy

3.1 Singapore

The Central Provident Fund (CPF) system was and still is the most important social provision in Singapore, while public assistance benefit is markedly limited. Social insurance schemes, which are popular in most industrialised countries, have not been introduced in Singapore.

The CPF in Singapore was established by the British colonial government in 1955, therefore the CPF is closely related to colonial policy. Besides, colonialist ideology also hindered the implementation of social welfare provisions therefore welfare schemes are not popular in this city state.

For a long time, the Singaporean government has taken a passive approach towards social security provisions and even denied the entitlement to the population. Instead of introducing social security programmes, the Singaporean welfare system is based on self-reliance and "Asian values", i.e. family obligations (Pai 2006: 7-8). Pai (2006: 10) further states that the "philosophy of self reliance may have been reinforced in part from the British colonial government...But for the most part, consensus seems to credit the Singapore government's assertive patriarchal role that has been able to encourage conformity amongst its citizens." In short, the underdevelopment of Singapore's social security system resulted from the British colonial government's inaction on social welfare provisions and the Singaporean government's paternalistic ideology

3.2 Taiwan

The Labour Insurance scheme was established in 1950 in Taiwan, and social insurance systems for servicemen and civil servants were introduced in the same decade. Chow (1986: 6) comments that "among the four countries (i.e. Hong Kong, Korea, Singapore and Taiwan) Taiwan has the earliest and the most comprehensive legislation on social security... Social security in Taiwan has always been regarded as the responsibility of the state and a natural component of economic growth." Nevertheless, Labour Insurance has some defects such as:

- It does not provide medical benefit for dependents;
- It does not provide unemployment benefit; and

- Lump-sum old-age/disability/survivor payments are paid out rather than regular pensions.

The Labour Standards Act, promulgated in 1984, did not remove the drawbacks mentioned above but further privatised retirement benefits in Taiwan. The state accordingly enforced employers to provide retirement and severance payments. In other words, it was a setback for welfare development in Taiwan.

Notwithstanding the retreat in the 1980s, social security provisions grew in the 1990s. The introduction of National Health Insurance and Employment Insurance in 1995 and 1999 individually solved two of the problems noted above, but the reform of lump-sum payments remained unsettled at that time.

Although the Democratic Progressive Party (DPP) came to power in 2000, their approach to retirement provisions was to introduce more privatisation. The Labour Standards Act is gradually going to be replaced by the Labour Retirement Payment Act of 2004, which is a compulsory fully-funded IRA scheme. It consequently encourages centralisation, bureaucratisation and nationalisation due to the fact that Taiwan's IRA scheme is centrally managed by the state and the funds are allowed to invest in capital and financial markets under the decision of the authorities concerned.

Despite the setbacks of the early 2000s, the introduction of the National Pension Insurance in 2008 and the amendment of the Labour Insurance scheme in 2009 providing regular old-age/disabled/survivor pension payments for labourers considerably pushed ahead with the development of social welfare in Taiwan.

The modified Labour Insurance scheme provides regular pension benefits and tackles the third problem mentioned above. From then on, a person who contributes to the new Labour Insurance scheme for 40 years could receive around 60% of her/his final salary.¹ The level of replacement rate of the amended system not only meets that suggested by the ILO Convention No. 102 and 128, but also the level is as high as that in some Western welfare states. Besides, the retirement age will augment from sixty to sixty-five in eighteen years from now and the contribution rate will gradually increase from 7.5% to 13.0% according to financial status.

The National Pension Insurance system is a flat-rate contribution and flat-rate benefit system for those who are not covered by social insurance programmes for labourers, civil servants, educators and servicemen. Moreover, a parental leave allowance scheme was introduced as a part of Employment Insurance in 2009. Thus far, Taiwan has become a well-established welfare state because of the fact that some social provisions are commensurable with, even superior to, that in some Western industrialised countries. The difference between Taiwan and the Western welfare states is that the compulsory IRA scheme remains throughout the course of pension reform.

Taiwan took a positive approach towards the development of social security schemes between the 1950s and 1980s for the reason

¹ With regard to the regulations, one could earn 1.55% of replacement rate for every year of contribution to this system. Because the level of benefit is based on the highest fifteen years of earnings, the actual replacement rate is less than 1.55% per year.

that the Kuomintang intended to consolidate its legitimacy and even the paternalism of their rule with the implementation of social security provisions. In addition, the United Nations (UN) and International Labour Organisation's (ILO) propositions on social policy may influence Taiwan's policymaking processes because Taiwan was a member, also the representative of China as one of the five permanent members of the Security Council of the UN until 1972.

However, the question is: why was privatisation introduced in 1984 and 2004? Was it the anti-welfarism of indigenous economists combined with the World Bank's propositions and support for the privatisation of pension schemes? Evidently, in the early 1980s, two leading Taiwanese economists, John Fei and Tai-Ying Liu, asserted that "social welfare schemes are the product of Western countries. Now that Chinese Society has the tradition of family support, western welfare provisions are not necessary (Kuo 1990: 18)." Likewise, during the DPP's term, the most influential economist at the time, Sheng-Cheng Hu, supported the IRA on the grounds that it was recommended by the World Bank as the solution to pension reform. He argued that because the general public are irrational and short-sighted, ordinary workers would be better off entrusting their wealth to financial managers, who could then invest it wisely (Kuo 2009: 149, 237-238). Such arguments are also based upon the hypothesis and critique that the Western social security system could not work appropriately, and may eventually cause welfare dependence and result in financial burden of the government and enterprise (Kuo 1997: 1-52). However, the lobbying of some interest

groups during the reform might have been the crucial factor. But, why were Taiwan's political parties, particularly the DPP, interested in it? Possibly, it is because privatisation along these lines enables the state to control and manage funds and therefore the economy as a whole. It could also be argued that there are considerable profits to be made from privatisation. In addition, through the control of markets, political parties can effortlessly manipulate elections.

The introduction of National Health Insurance in 1995, Employment Insurance in 1999, National Pension Insurance in 2008, Labour Pension Insurance in 2009 as well as the parental leave allowance scheme in 2009 shows the government's attempt to underpin its legitimacy, as what had been done by the Kuomintang between the 1950s and 1970s. However, the difference is that by the early 1990s there were general elections for local governments, parliament and president. The extensive policies (i.e. some social allowance programmes for old age people) that were introduced after the mid-1990s were proposed out of the competition between candidates and political parties during the elections.

3.3 Hong Kong

Speaking of the development of social security provisions in Singapore and Hong Kong Chow (1985: 6) notes that "social security has certainly not been viewed with sympathetic eyes...To summarize, social security in both Singapore and Hong Kong is perceived as contradictory to their economic development objectives and regard as burdens which the two governments grudgingly bear." In fact, Hong Kong is different from Singapore and other British

colonies because a provident fund system (i.e. Mandatory Provident Fund, MPF) was not established until 2000.

Pai (2006: 35) argues that the British colonial government did propose a pension plan resembling Singapore's CPF and a social insurance pension plan like the ones in Britain, the USA and Canada, but "these all met with resistance from the business community". Research also indicates that the Chinese government may have influenced the decision-making process leading up to the establishment of the MPF (Ho 2001: 75-76; Ramesh 2004: 40-41; Wilding 1997). Nonetheless, it is worth noting that the National Health Service, Comprehensive Social Security Assistance, and Old Age Allowance and Disability Allowance schemes (implemented since the 1970s) in Hong Kong provided basic and special assistance to people in need (Pai 2006: 38-42).

In terms of public expenditure, on the one hand, Hong Kong spent 14.6% of its budget in 2005/06 on social welfare provisions, in particular non-contributory schemes, which illustrates Hong Kong's concern for social security issues. On the other hand, the Hong Kong government was worried about the huge expenditure on social welfare. Accordingly, in addition to the MPF, the Hong Kong government was considering privatising non-statutory services and increasing subvention to NGOs (Pai 2006: 42) rather than introducing a social insurance pension scheme.

3.4 China

As a socialist state, China implemented a general social provision scheme in the early 1950s shortly after the revolution. At

that time, the social protection scheme was based on individual governmental departments or state-owned enterprises (SOEs); therefore it was in effect an occupational welfare plan instead of a social security system.

Since the economic reform in 1979, the Chinese social security system has been significantly modified to fit the new economic policies and chiefly focused on employees in urban areas. This is understandable given that the main aim of social security programmes has always been to cover industrial labourers against various kinds of social risks. Even nowadays, the social insurance schemes in Germany and the United States still mainly concentrate on industrial workers.

The Chinese social insurance system provides a wide range of programmes for urban labourers such as medical insurance, occupational accident insurance, unemployment insurance and maternity insurance.

As for old-age protection, China implemented a mixed scheme composed of public pension insurance and IRA. According to the rules in 1997, the benefit level of public pension insurance scheme was 20% of the average wage. Besides, as scheduled, IRA's contribution rate would gradually increase annually to 11%, which illustrates China's reliance on the IRA scheme. The Chinese IRA's monthly payment level is determined by the amount of the account balance divided by 120. According to the reform of 2005, the public pension insurance programme will award 1% of the replacement rate for each year of contribution. In addition, IRA's contribution rate was lowered from 11% to 8%.

As discussed above, China has taken a positive approach to establishing its social security system. The reform of 2005 not only augments the benefit level of social insurance schemes but also enforces companies to contribute 20% of employees' monthly wages to the social insurance fund. Nevertheless, China was also dubious about the social insurance pension scheme and further emphasised the IRA system. There are two possible explanations for this (Wang 2001: 8-10):

- In order to avoid the financial burdens on social welfare programmes that Western countries encounter these days; and
- In order to avoid dependence on social welfare provisions, also supposedly a feature of Western welfare regimes.

Here, it should be noted that social insurance systems in Western industrialised countries are not necessarily a financial burden; instead, social insurance systems may help governments alleviate their obligations to an aging population. Furthermore, social security programmes, particularly social insurance systems, do not always result in welfare dependence; rather, they encourage labourers to contribute to society. In effect, the reform of 2005, like those implemented in most Western industrialised countries, reformulated the system and made the years of contribution closely related to the level of payment, which will necessarily and efficiently reduce welfare dependence.

4. Individual Retirement Account (IRA)

4.1 Singapore

As discussed above, Singapore's IRA (i.e. CPF) was a legacy of British colonial government and aimed chiefly at the domination of the economy. The situation changed slightly in the post-colonial era and the CPF was further integrated with Singapore's public housing policy. Although Singapore developed medical care and annuity provision under the auspices of the CPF in the 1980s, the IRA's function of protecting older persons was called into question. The fact that the average account balance of retirees was less than US\$ 20,000 under the high level of contribution rate (between 30% and 40%) further proved CPF's inability to render a reasonable level of retirement income (Asher and Newman 2001: 157).

Because the CPF and its funds are administered and managed by a governmental department, the CPF Board, it is a centralised and nationalised system. With economic control being exercised through the CPF scheme, Singapore's paternalistic ideology has been reinforced. As Standing (2002: 117) puts it, "[i]n Singapore, the government forces workers to save 40 per cent of their earnings...[is] an example of state paternalism." Therefore, the CPF scheme has become an instrument for preserving paternalism and building up the paternalist state.

In Singapore, the members of the CPF system can make premature withdrawals to purchase public housing, medical services and annuity and pay tuition fees. Apparently, it emphasises more on the government's planned economy policy and less on social policy, and the government's ability to manipulate and control capital and

financial markets is limited. Nevertheless, it deserves to be mentioned that, as Lee and Vasoo (2008: 278-279) point out, the CPF Board is allowed to purchase government bonds to finance the Housing Development Board (HDB), and this is the way the government gets involved in the operation of the fund.²

4.2 Taiwan

Taiwan's IRA scheme is separate from the Labour Insurance scheme. Regarding to the rules, employers should solely contribute 6% of employees' monthly wage to participants' accounts. The governmental statistics illustrate that the number of participants amounted to 5,125,663, the monthly contributions were about NT\$ 11.0 billion and the amount of the IRA fund was 576.4 billion in October 2010.³ In other words, the fund will amount to one trillion in 5 years from now. In terms of operation, it shows that the government arranged 46.44% of the fund to domestic (22.52%) and overseas (23.92%) financial institutes to invest in financial and capital markets. Besides, the authorities concerned allocated 4.78% and 7.40% of the fund to purchase securities and arrange overseas investment respectively. In other words, around 60% of the fund was invested in financial and capital markets which may boost the risk of the system. According to official statistics, the IRA scheme was in

² It is worthwhile mentioning that the amount of government debts grew by around four times between 1990 (SG\$ 51.4 billion) and 2005 (SG\$ 200.0 billion).

³ Please refer to the documents released on http://www.lpsc.gov.tw/cgi-bin/SM_themePro?page=4759239c for detail. (in Traditional Chinese) [Accessed: 02.12.2010]

deficit because the overall return rate of the fund was 0.72% in October 2010 while the guaranteed rate of return was 1.02%.⁴

The administration of Taiwan's IRA is not decentralised as in Latin America and Hong Kong, but is centrally managed by a governmental department. Moreover, the authorities concerned could entrust a part of the funds to domestic or foreign financial institutes for operation. Both the government and the trusted institution are allowed to put money into the stock market and other risky forms of investment. According to the rules of Taiwan's IRA system, the state guarantees a prescribed level of return if the investments make deficits. In other words, the general public must foot the bill when the financial professionals get it wrong.

Taiwan's privatisation of old age security scheme in 1984 was closely related to the pervasive idea at the time of "take the unit one works for as her/his family or school" on the one hand, and indigenous economists' resistance to social security systems on the other hand. It should be noted that the main objection of anti-welfarist economists was that Taiwan needed to revive its family support system rather than establish a social security system. However, they ignored the fact that, firstly, the family support system was also part of Western tradition but gradually dismantled as industrialisation prevailed and family solidarity declined. Secondly, Taiwan was now an industrialised society by this time and more than two-thirds of the working people were employed.

The arguments that emphasised the family were in fact based on

⁴ Please refer to (<http://www.lpsc.gov.tw/site/4758b3ba/475e445a/4759239c/files/m24.pdf>) for detail. (in Traditional Chinese) [Accessed: 02.12.2010]

paternalism, which in Taiwan conceptualised enterprises as families and employers as patriarchs. Also, the scheme they proposed - namely the IRA, which was passed in 2004 - was also obviously firmly grounded in paternalism. Besides, Sheng-Cheng Hu's rationalist assertion made explicit not only these economists and financial managers' paternalism but also their self-colonialism.

In addition, the World Bank's (1994) suggestion of the IRA scheme encouraged and helped to rationalise the indigenous economists' calls for the establishment of a fully-funded IRA scheme. However, importantly, as Modigliani and Muralidhar (2003) maintain, the World Bank's proposition of IRA was questionable, and Orszag and Stiglitz (2001: 42) further argue that:

“Unfortunately, as often happens, the suggestions have come to be viewed narrowly – focusing on a second pillar limited to a private, non-redistributive, defined contribution approach. Most of the arguments in favor of this particular reform are based on a set of myths that are often not substantiated in either theory or practice.”

4.3 Hong Kong

Hong Kong's MPF is different from those in Singapore and Taiwan because it is a privately managed system rather than a state-run central provident fund (Pai 2006: 34-39) and resembles the Chilean model.

As mentioned above, the draft of the Old-age Pension System was opposed by the business community; therefore to entrust MPF funds to private financial institutes was a compromise between the

state and the business class. Modigliani and Muralidhar (2003: 222) state that “[i]n many cases, the reforms that emphasize three-pillars systems (with a funded, mandatory DC relying on individual accounts as a second pillar anchor) will lead to a enormous waste of resources and run the risk of leaving individual with poor balances in their DC accounts while enriching asset managers.” Therefore, apparently, a privately managed fully-funded system was not only an option that could be accepted by business community, but was also the end they hoped for.

However, considering the problems that IRA may fail to deal with, such as inflation and the risks of investment, it is doubtful whether Hong Kong's MPF can achieve a 40% replacement rate in the future. These problems were aggravated after Financial Crises in Asia in 1997 and in the world in 2008/09 thus it seemed to be unwise to lean on financial methods to render old age protection. This is the fatal weakness of IRA schemes and also demonstrates the way globalisation affects social security systems. Hence, if it were not IRA schemes, then the influence would be minimised.

The reasons behind the establishment of the MPF in Hong Kong are not entirely straightforward. Hong Kong's MPF was not established by the British colonial government and although the World Bank's proposition might have influenced Hong Kong's decision to implement the MPF, this needs to be examined. Likewise, China's attitude towards Hong Kong's MPF needs to be scrutinised because China is favourable towards IRA. Nevertheless, it is clear that Hong Kong's business community dominated the establishment of MPF.

It may be alleged that IRA is based on individualism instead of Chinese traditional culture because it seems difficult to understand the introduction of MPF as part of the tradition of family support system. However, it may help to examine this issue from the viewpoint of colonial culture, particularly that of paternalism. On the one hand, the British colonial government was the reason why Hong Kong was passive on social security programmes. Because the seats of LegCo and District Councils were not entirely determined by general voters in Hong Kong, the colonial government's decisions could hardly be challenged by the general public. In addition, the product of the compromise between the British colonial government and the business community, namely the MPF, further indicated the business gentry's dominance on issues of social policy. Their influence was not reduced after 1997, but enhanced in effect. Therefore, if the MPF of Hong Kong represented the augmentation of paternalism, then the power holders would be asset managers. Besides, if Chinese culture were characterised by paternalism, then Chinese Society would be the world that nurtures IRA.

4.4 China

Although the reform of 2005 lowered the contribution of the Chinese IRA from 11% to 8% implying a reduced role of the IRA in old age protection, it would still accumulate a huge amount of fund after some years. Accordingly, ten provinces established their own management systems to administer public pension insurance and IRA funds separately.

In addition, the reform of 2005 reversed the rule introduced by

the 1997 reform, which stated that IRA funds were not allowed to be invested in the stock market. It was also suggested that the authorities concerned introduced additional regulations for monitoring the investment of IRA funds. In practice, the funds that were entrusted to the National Council for Social Security Fund have been invested in capital and financial markets.⁵ It is foreseeable that this huge fund will heavily control and influence China's economy.

After the reform, Market Socialism was the keynote of China's economy and is still the essential element of politics and culture today. The occupational welfare provisions applied before the economic reform were closely related to socialist ideology. Even so, the tradition of family played an important role in social security provision, and despite the massive changes taking place in China households in rural areas continue to rely on the family support system rather than the social security system.

Although social insurance pension schemes were established for urban workers along with the development of economy, the preference for privatisation grew in the meantime. The former President of the Chinese Academy of Social Sciences, Mr. Li Tieying, commenting on the trend of social security reform suggests that "[a]s far as I know, European and American states are also reforming their social security systems, mainly to resolve the problem of 'welfare illnesses' formed as a result of excessively good welfare treatment. Singapore, Chile and other countries are applying the model of compulsory savings social security... We must update

⁵ Please refer to <http://www.ssf.gov.cn/stgl/grzhjj/> for details. (in Simplified Chinese) [Accessed: 02.12.2010]

ourselves on the latest development in the reform of social security system (General Preamble to SSSS, cited in Wang 2001:17).” With such an argument he shared obviously the opinions of the anti-welfarism in Taiwan. It is not clear yet whether the social security systems in the West cause “welfare illnesses” and financial crisis; similarly, it is still uncertain whether Singaporean and Chilean IRA schemes will be successful. Nevertheless, it has to be noted that Chile had implemented a social insurance pension scheme from 2008 as well as Argentina recently had ended the IRA scheme and transferred all workers back to state-run PAYG system in order to stop the growing old age poverty (Kritzer et al. 2011: 38; Mesa-Lago 2009). Both of the facts significantly prove IRA’s inability to maintain old age income security.

The merits of using IRA schemes as a strategy for solving the problems of the social security system are debatable; however, it is clear that IRA schemes help revive paternalism and collectivism in the economy. In the sense that the IRA scheme reinforces the paternalistic distribution of economic power, then it is simply a renaissance of the obsolete order. Moreover, the huge funds available give asset managers enormous power to control the economy and allocate resources. Therefore, the privatisation of the pension scheme becomes a means for reestablishing a planned economy.

5. Comparison

Among the four regions and countries, the levels of industrialisation in Singapore, Taiwan and Hong Kong are similar.

However, in terms of the development of their social security systems, especially their social insurance programmes, Taiwan has gone much further than either Singapore or Hong Kong. Singapore and Hong Kong are also quite different from each other in this respect. Both emphasise social provision through IRA schemes but Singapore launched its CPF around half a century earlier than Hong Kong’s MPF. The MPF is not expressly an economic policy nor is it the core of social protection in Hong Kong. However, Hong Kong is characterised by its National Health Service and social assistance schemes which render the Hong Kongese the basic level of social provisions. China, on the other hand, is not as industrialised as Singapore, Taiwan and Hong Kong but its social insurance programmes, in urban areas especially, are growing fast and outstripping the levels of provision in Singapore and Hong Kong.

Among the IRA programmes in these four regions and countries, with regard to the scale of influence, Singapore’s CPF is the most influential and Hong Kong’s MPF the second most important. Because China’s IRA contribution rate (8%) is higher than Taiwan’s (6%), China is in third and Taiwan in fourth place. Although Taiwan has already built up some social insurance programmes, the government has established an IRA scheme as an additional provision to top up the Labour Insurance benefit. Taiwan’s IRA accumulates large amounts and is managed, as is the Singaporean system, by a governmental department. It should be noted that a specific part of Taiwan’s IRA funds are entrusted to private financial institutes, which reduces the scale of its nationalisation. In addition, because companies that hire more than

200 employees can establish their own IRA schemes, this further abates the government's control of IRA management. In China, the IRA funds are originally administered and managed by provincial governments and this is deemed as a nationalisation of management. Besides, the Chinese government authorises the National Council for Social Security Fund to manage IRA funds, which reinforces the scale of nationalisation of the funds. On the contrary, Hong Kong's MPF is managed by private financial institutes. As for the operation of funds, Taiwan and Hong Kong's IRA schemes allow investment in the stock market and other risky speculations. As discussed above, such kind of operation may not only become the government's means of manipulating the stock market and economy, but also greatly influences the results of public elections. With regard to the development of the Chinese IRA scheme, the control of the economy may become a reality in the future.

It could be argued that the cultural factors influencing the development of social security schemes in Chinese Society originate from traditional ideas such as the utopia proposed by Confucius in his chapter on great harmony (Ta Tung). However, the development of contemporary social provisions apparently has little or nothing to do with these traditional ideas about welfare. Instead, the extension of social welfare provisions in Taiwan is closely related to Kuomintang social policy, democratisation, the consensus of the social goals between the Allies of World War II, and the UN and ILO consensus on social policies. Hence, national and international politics are the key factors here. Similarly, the development of social provisions in China after 1949 is associated with the political culture

of socialism. Accordingly, the development of social security schemes in both Taiwan and China has been influenced by political revolutions. That is, the aims of these revolutions are to introduce specific social provisions, the appeal of which is their proximity to standards applied by foreign countries and suggested by international organisations. The development of social provisions in Singapore and Hong Kong has not been affected by the above mentioned forces but the schemes, such as Singapore's CPF and Hong Kong's National Health Service and social assistance programmes, have clearly influenced by British colonial government.

Another issue that needs to be discussed is why social security systems are questioned. Although these four regions and countries apparently resort to the tradition of family support, in fact, the contexts of family ideology are different. Singapore emphasises family support the most among these four societies, which is related to the Singaporean government's paternalism ideology. Paternalism is therefore the main source that supports CPF. In Taiwan, the stress on family support obviously hinders the development of social provisions. The establishment of an employer-sponsored retirement payment scheme and IRA not only casts doubts on social security schemes, but also reveals the government's preference for rule by paternalism. The predilection for paternalism is influenced by traditional culture and is backed by economic theories and the World Bank's proposals on pension reform. The introduction of a privately managed MPF scheme in Hong Kong was due to the lobbying of the business community. In China, the family support system is promoted in rural areas, while urban residents are covered by social

security programmes. The Chinese government's preference for the IRA scheme may be based on the World Bank's assertion that the financial deficits in Western countries are caused by social insurance systems.

It is worth mentioning that the four regions and countries ignore the ILO conventions on social security provisions, for example, No.102 and No.128. Ironically, Taiwan, where the social insurance is highly developed and which provides even better levels of benefits than the ILO conventions, is not a member.

6. Concluding Remarks

Singapore, Taiwan, Hong Kong and China are greatly influenced by Chinese culture. Although the social security systems in these four societies vary, there are some similarities among the differences. That is, they question and even object to the social insurance programmes that are widely implemented in Western industrialised countries.

This point of view, from a perspective within the Chinese cultural area, pushes the four regions and countries to adopt similar policies, namely the IRA scheme. However, their reasons for implementing the scheme range from colonisation ideology to the interests of the business community. Most importantly, paternalism may be the crucial ideology leading to the implementation of IRA schemes, and apparently it is related to traditional culture.

IRA schemes, e.g. Taiwan's IRA programme, would probably not be supported without backing of the World Bank. China's arguments against social insurance systems might be invalidated if

they were not endorsed by an international organisation such as the World Bank. Therefore, the World Bank's rejection of the social insurance system and advocacy of the IRA scheme fuel the development of IRA programmes in Taiwan, Hong Kong and China. The paternalistic ideology of these regions and countries is restored along with the World Bank's recommendation; this is the reason why IRA is favoured in the East. In other words, the IRA scheme is not a novel innovation with a strong theoretical backing; rather, it simply is a development of a traditional culture shared by Asian countries. The question is, however, whether an obsolete ideology, namely paternalism, can cure the social problems of the 21st century?

Therefore, especially in Chinese Society, it might not be possible to establish a viable social security system if the ideology of paternalism remains intact and the World Bank and neoclassical economists continue to dominate the debates on pension reform.

〈後記〉本文完稿之後，中國大陸已完成社會保險法之立法，並將於2011年7月1日施行。大陸的社會安全發展是否將有所新的發展，深值觀察。

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