

Sequences of Social Security Program Development in the Developed and Developing Areas: A Comparative Analysis

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Abstract

The emergence of the welfare state in the developed world historically relates to capitalist industrialization and urbanization. The mainstream welfare state literature sees the development of social security programs as the state's responses to the "new social questions" that industrialization accompanies. Since capitalist industrialization involves similar social problems, industrializing nations generally come up with similar solutions to them. As a result, social security programs share common contents, and they develop largely in uniform sequences. These theoretical propositions are primarily grounded in the developed world, and their relevance in the developing nations has been hardly examined. The paper presents findings of a study that examined the sequences of social security program development in the developed and the developing nations.

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Introduction

A dominant practice in contemporary welfare state studies is to compare welfare states in terms of their social programs, policy patterns, programming objectives and practices, and political orientations to social programming. There are a number of theories that provide frameworks for those comparisons. Structural-functionalism is one of the dominant approaches that account for the emergence of and variations among the welfare states. It relates the development of the welfare states and variations among them to industrialization and economic development. It also assumes that social security programs emerge in uniform sequences and with similar contents in modern welfare states. Like other mainstream welfare state theories, the structural-functionalist perspective is largely grounded in the developed world. Its relevance in the developing areas has been hardly examined. Based on the structural-functionalist assumption about the sequence of social security program development, this paper addresses two questions? Did social security programs develop in advance democracies in any particular sequence? Do social security program in developing areas maintain a sequence of emergence similar to that of the developed democracies? Based on data from the *Social Security Programs throughout the World Surveys*, the study finds similar sequences of social security program development in the developed and developing areas. The finding thus indicates the relevance of the mainstream welfare state theories in understanding and explaining social policies and programs in the developing nations.

Literature Review

Literature on welfare states is very well developed in the economically advanced societies. While contemporary advanced democracies are generally known as welfare states (Kaufmann, 2001b), there is a large variation among them in terms of goals, scopes, ideological orientations, and patterns of welfare programming. A good number of theoretical approaches, such as the functionalist approach, the culturalist approach, the institutionalist approach, and the power resources approach, have emerged with the aim of explaining the origins and development of the welfare states as well as the variations among them. Among those theories, the functionalist perspective is empirically robust in accounting for the emergence of the welfare states.

The functionalist theory is rooted in the works of nineteenth century sociologist Emile Durkheim. In general, the functionalist theoretical tradition focuses on the functioning and integration of social systems.¹ In regards to the welfare state, functionalism seeks to capture the logic of the development of welfare states historically. It assumes that welfare policies emerge in response to functional necessities. Leading contemporary structural functionalists such as Talcott Parsons, Robert Merton, and Kingsley Davis also suggest that welfare state policies and programs have served to re-establish

¹ Although Durkheim addressed social policies and welfare states only indirectly, he argued that political institutions arose in response to stresses and needs, which emerged as simple societies (traditional and undifferentiated societal systems) evolve into more complex (structurally differentiated) entities – existing social structures break down leading to social disorganization and disequilibrium; however, new social arrangements and institutions soon evolve more or less unconsciously to respond to these emergent problems and meet the new universal needs to restore social order and equilibrium (Olsen, 2002: 93).

balance in society by satisfying new social needs, which Parsons calls ‘functional prerequisites’ (Olsen, 2002, 1993).

The functionalist approach that directly addresses the origin and development of welfare states is the ‘logic of industrialism’ approach. This approach sees the development of the welfare state as a society’s way of adapting to the changes brought about by modernization and industrialization (Mishra, 1973; Pampel and Williamson, 1988). The forces attached to modernization and industrialization – social mobilization, urbanization, individualism, and market dependence – destroyed pre-industrial modes of social reproduction such as family, the church, *noblesse oblige*, and guild solidarity. For functionalists, the welfare state, therefore, emerged in response to the destruction of traditional forms of social security by modern industrial economy (Olsen, 2002). Norman Furniss summarizes the logic of industrialization as follows: “industrialization produces similar socio-economic problems [such as loss of traditional occupation, unemployment of unskilled labourers and the elderly; issues of safety, security, hazards, and accidents in workplaces; and tensions between workers and the factory owners]; these problems in turn produce the public policies to deal with them; these policies are needed – they are functional – therefore they occur. “Policy becomes the outcome of some demographic and economic process” (Furniss: 2000: 200).”

However, a nation’s capacity to respond to the challenges posed by industrialization, functionalists argue, depends on its level of economic development. Only economically advanced countries possess the ability to adopt social programs to meet social needs. Functionalists thus explain the emergence of the welfare state long after the destruction of traditional community by industrialization as well as the presence of welfare states only in the developed societies by their ‘logic of economic growth.’ Cutright (1965), Aaron (1967), Pryor (1968), and Wilensky (1975), through a number of time series and multiple regression analysis find a strong correlation between the level of economic growth (rather than political system) and the development of the welfare state. Regardless of dominant groups or dominant ideologies (both economic and political), they argue, nations institute similar policy sequences, and as a result, political ideologies of left and right become irrelevant (Wilensky, 1975; Furniss, 1992). In short, ‘politics do not matter’.² Proponents of the functionalist account of the welfare states, particularly, Wilensky (1975) and Furniss (1992), indicate that social security programs evolve in a linear sequence starting from programs on industrial accidents (through the introduction of insurance or assistance programs) followed by those on sickness, old age, family income support, and unemployment. This order, as they claim, applies irrespective of political systems or ideologies.

A number of scholars tested this functionalist assumption in the past. Flora and Alber (1981) compared social insurance policies in twelve European countries. They found that social insurance for industrial accidents tend to be introduced first, unemployment insurance last, and old age and sickness insurances in between. Based on the count of four social security programs – industrial accident insurance, sickness

² Proponents of the functionalist account of the welfare states, particularly, Wilensky (1975) and Furniss (1992), indicate that social security programs evolve in a linear sequence starting from programs on industrial accidents (introducing insurance or assistance programs) followed by social security programs for sickness, old age, family income support, and unemployment.

insurance, old age pensions, and unemployment insurance³ – in nations of the world prior to World War I, Kuhnle and Sander (2010) found that nations tend to introduce programs for industrial accidents first, followed sequentially by sickness insurance, old age insurance, and unemployment insurance.

Flora and Alber's (1981) study was based on only 12 nations all of which were from Europe. Moreover, they considered only four social insurance programs in their examination. Kuhnle and Sander's (2010) study considered programs until WWI when only 32 nations introduced some form of social security programs. Their study fails to account for patterns of social program development since the First World War. Moreover, these scholars assessed the order of programs simply through counting the number of programs introduced by the nations. That is, the number of nations having a program was considered as a marker for that program's place in the sequence. However, given that almost all nations in the developed world currently possess more than one of the social insurance programs, deriving program sequence simply by counting nations is inapplicable today. It is, therefore, unsure if the functionalist assumption about program sequence still is applicable in the developed world in the contemporary context, or if tested in the contexts of the developing world its relevance will be found.

This study includes 178 nations of the world of which 63 are developed nations and 115 are developing nations (according to the classification by World Bank 2013).⁴ The study examines the sequence of social security program development in both the developed and the developing nations, using the most recent data. It examines if the functionalist assumption still applies to the developed nations. Then it examines if the same assumption applies to the developing nations too. The study also examines if the same sequence of program development is observed in both areas of the world.

Data and Method

To test the functionalist proposition about the sequences of social security program development, years of introduction of social security programs on five areas – industrial accident, sickness, old age, family income and unemployment – were considered as statutory provisions in these five areas mark the early development (or the take-off) of the modern welfare state (Kuhnle and Sander, 2010). As Kuhnle and Sander (2010: 61) suggest, “[the] founding years [the last two decades of the nineteenth century] and the decades thereafter are very much associated with the emergence and growth of social insurance-like policies [such as industrial accident insurance, sickness insurance, old age pensions, family allowance and unemployment insurance].” It was observed if the developed and the developing nations followed the same sequence of program development as theoretically anticipated. Data to test this

³ That is, the number of nations having each of the programs.

⁴ World Bank (2013) identifies 75 nations as developed (high income) countries and 139 nations as developing (not high income countries - higher middle, lower middle, or low income) countries. Thus, based on World Bank's (2013) classification, total 36 (16.2%) nations were missing from the analyses, among whose 12 were developed nations (16% of the total number of the developed nations) and 24 were developing nations (17.27% of all developing nations). Given that high proportions nations from both the developed and developing nations were included (84% and 83% respectively) and equal proportion of nations were missing from each group, it is assumed that results based on the nations included were minimally biased.

hypothesis was collected from *Social Security Programs Throughout the World Surveys 2013* (for African nations), *2012a* (for European nations), *2012b* (for Asia-Pacific nations), and *2011* (for North and South American nations).⁵ Sequences of social insurance programs development in 178 nations were examined based on the availability of the data from the surveys. Thus, more than four-fifth (88.5%) of the nations of the contemporary world were included in the analysis.

Results

This section presents results of the examination of the order of social security program development in the developed and developing areas with a comparative perspective. It starts with presenting a picture of the state of social security program development in the contemporary world. It then accounts for the trend of social security program development in the developing world. Finally, it presents the sequence of social security program development in the developed and developing areas and sees if the functionalist assertion about the sequence of program development applies in both parts of the world.

The state of social security programs in the contemporary world

We observe some general support to the functionalist claim that nations come up with similar solutions to problems associated with modernization. We find almost universal presence of three social security programs – industrial injury insurance, old age pensions, and sickness insurance (in 95.5%, 99.4% and 80.9% nations respectively). Similarly, about half of the nations of the contemporary world have programs on unemployment and family income support. In terms the number of risks covered, we find that a majority of the nations have programs covering at least four contingencies that define the origin of the welfare state, and there is no nation in the current world without a statutory social security program (see table 2).

<i>Risk or program area</i>	<i>Nations</i>
Industrial accident	95.5%
Old age, disability, survivor	99.4%
Sickness, maternity	80.9%
Family income maintenance	45.5%
Unemployment	55.6%

⁵ *The Social Security Throughout the World Surveys* are conducted jointly International Social Security Association (ISSA) under the sponsorship of the U.S. Social Security Administration (SSA). International Social Security Association collected the data from country-based correspondents (social security officials of countries and jurisdictions that responded to the surveys), ISSA Documentation Service, the legislative database of the International Labour Office, Organization for Economic Co-operation and Development (OECD), The International Monetary Fund (IMF), The World Bank, The United Nations Development Programme (UNDP), official publications, periodicals, and documents received from social security institutions. Data thus collected were later examined by international analysts at both ISSA and SSA for factual errors and contradictions in materials from different sources (ISSA, 2012). This is probably the most comprehensive, recent, reliable, and most widely used source of information about social insurance programs in 178 nations or jurisdictions in the world.

<i>Number of risk covered</i>	<i>Developing nations</i>
Five	35.4%
Four	26.4%
Three	20.2%
Two	15.7%
One	2.2%
No programs	0.0%
Total	100%

State of social security programs in the developed and the developing areas

To see social security programs from a comparative perspective between developed and developing nations, about all developed nations have programs for the elderly and industrial accidents (100% and 96.8% respectively), 90.5% nations have programs for sickness, and three-fourth of the developing nations have programs to address unemployment and support family income (76.2% and 74.6%) respectively. It is observed that almost equal (compared to the developed nations) proportions of developing nations have programs on industrial accidents and old age (94.8% and 99.1% respectively). Developing nations slightly fall behind the developed nations in programming for sickness (75.7% compared to 90.5%). However, significantly fewer developing nations have social security programs for unemployment and family income support compared to the developed nations (28.7% and 45.2% compared to 76.2% and 74.6% respectively).

<i>Risk or program area</i>	<i>Developed nations</i>	<i>Developing nations</i>
Industrial accident	96.8%	94.8%
Old age, disability, survivor	100.0%	99.1%
Sickness, maternity	90.5%	75.7%
Family income maintenance	76.2%	45.2%
Unemployment	74.6%	28.7%

In terms of the ranges of contingencies having social security programs for, about two-third (66.7%) of the developed nations have programs on all five areas (that constitutes the pillars of social protection), sixteen percent of them have programs covering four areas, only fifteen percent have programs covering less than four areas. Among the developing nations, less than one-fifth of them have programs covering all five pillars of social protection, one-third have programs covering maximum four areas, while half of them have programs covering less than four areas of social protection.

Table 4 Range of programming in the developed and developing world at present		
<i>Number of risk covered</i>	<i>Developed nations</i>	<i>Developing nations</i>
Five	66.7%	18.3%
Four	15.9%	32.2%
Three	7.9%	27.0%
Two	7.9%	20.0%
One	1.6%	2.6%
No programs	0.0%	0.0%
Total	100%	100%

It is interesting to observe that, in terms of the development of social security programs, the current state of the developing world is significantly better than the pre-WWII state of the developed world. Before 1945, more than one-fourth (28.6%) developed nations did not have any social security programs and only thirteen percent (12.7%) had programs on all five areas of social protection. Conversely, at present there is no nation in the developing world without a social security program, and about one-fifth of them have programs covering all five pillars of social protection (see table 5).

Table 5 state of social security program development in the pre-War developed and that in the developing world at present		
<i>Number of risk covered</i>	<i>Developed nations before 1945</i>	<i>Developing nations at present</i>
Five	12.7	18.3%
Four	27.0	32.2%
Three	19.0	27.0%
Two	4.8	20.0%
One	7.9	2.6%
No programs	28.6	0.0%
Total	100	100%

This finding has significant implication to contemporary practices of social welfare policy studies. It empirically disputes any rationale for limiting welfare state studies within the developed world today. Immediately after WWII, when the literature on the welfare state and social programming started to flourish in the developed world, the state of social programming in the developed world was less developed than its current state in the developing world. While the welfare state literature took its ground under that situation in the developed world, it is yet to gain a ground in the developing world despite the condition is more congenial. This finding thus also strengthens the justification of this research project.

Sequence of social security program development in the developed nations

We examined the sequences of program development in terms of the frequency distribution of the order of introduction of the programs. In addition, we calculated the rank averages of the programs to derive more precise sequences of their introduction across nations. We see that the programs on industrial accidents have most frequently (in 73.8% instances) been introduced as the first social security program in the developed world (see table 6). Only in few instances those programs were introduced after any of the other four pillars of social insurance. The modal category for the order of the introduction of programs on sickness is second. In about thirty percent (29.8%) instances these programs were introduced as the second social security provision in the developed nations. However, the frequencies for them of being introduced as the first and the third programs are also relatively high. Only rarely these programs were introduced as the fourth or fifth programs in the developed world (14% and 5.3% respectively). In majority instances programs on old age have been introduced in the developed world as either the second or the third programs. These programs were also introduced as the first social security provision in more than one-third instances. However, programs on old age have been introduced as the fourth program only in few instances (4.8%), and in no nations in the developed world these programs were introduced as the fifth social security provision.

<i>Program area</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fifth</i>
Industrial accidents	73.8	11.5	6.6	3.3	4.9
Sickness	28.1	29.8	22.8	14.0	5.3
Old age	34.9	31.7	28.6	4.8	-
Unemployment	8.3	14.6	22.9	33.3	20.8
Family allowance	2.1	6.4	6.4	38.3	46.8

Conversely, in majority of instances (54.1%) programs on unemployment have been introduced as the fourth or the fifth social security program. In considerable instances (22.9%) these programs were introduced as the third program. However, only in few instances programs on unemployment were the first or second social security measure in a developed nation. Family allowances have most frequently (46.8%) been introduced as the fifth social security program in the developed nations. In about nine-tenth instances these programs were introduced as the fourth or the fifth programs by the developed nations.

Thus, we see that programs on industrial accidents have most frequently introduced as the first social security program in the developed nations. The order between programs on sickness and those on old age is not very clear since both types of programs are pretty equally distributed in the first, second, and the third positions in the order. On the other hand, it is seen that programs on unemployment and family income support more frequently appear in the last in the developed nations. Yet, the position of programs on unemployment is almost evenly distributed in the last three of the five positions in the order while in almost ninety percent cases family allowances are introduced as the fourth or the fifth program in the developed countries.

To acquire more precision in understanding the sequence of program development, rank averages of the programs were calculated based on their positions in the national order of program development. Programs that were introduced first in a nation were given one point and those introduced as the second program were given two points, those introduced as the third program were assigned three points, those introduced as the fourth program were given four points, and those introduced as the fifth program were given five points. Total scores of each program were then divided by its total number (that is, the number of developed nations in which this particular program exists) to find the rank average. Table 7 presents the rank averages of each program thus derived (standard deviation of rank averages are in brackets).

Table 7 rank averages of program and mean and median years of social security program legislation in the developed nations										
	Sequence of introduction					Ranks	Year of introduction			Mean
	1	2	3	4	5	Average	Mean	Median		
Industrial accident	45	7	4	2	3	1.54 (1.089)	1928	1924		1945
Sickness or maternity	16	17	13	8	3	2.39 (1.192)	1935	1938		1957
Old age, disability, survivor	22	20	18	3	-	2.03 (.915)	1937	1936		1961
Unemployment	4	7	11	16	10	3.44 (1.219)	1946	1942		1958
Family allowance	1	3	3	18	22	4.21 (.977)	1952	1947		1968

We see that programs on industrial accidents have the lowest rank average (1.54). This indicates that those programs are more likely to be introduced first by developed nations. Conversely, we find that the rank averages of programs on unemployment and those on family income support have rank averages higher (3.44 and 4.21 respectively) than those on old age and sickness (2.39 and 2.03 respectively). Thus, we observe in the contexts of the developed nations that programs on industrial accidents tend to appear first, those on unemployment and family income security tend to appear in the last and those on sickness and old age tend to appear in between. However, between programs on sickness and those on old age, the latter tend to appear before the former, and between programs on unemployment and family allowance, the former tend to appear before the latter in the developed world.

Sequence of social security program development in the developed nations

We observed the sequences of social security program development in the developing nations using the same methods that we used to observe program sequences in the developed world. We see that in developing nations where there are programs on industrial accidents, in four-fifth instances (80%) the programs were introduced as the first social security programs. Only one-fifth instances programs on industrial accident were introduced as second, third or fourth statutory social security initiatives

(10.1%, 9.2%, and 2.8% respectively). In no nations programs on industrial accidents were introduced as the fifth social security program.⁶ Table 8 presents the frequency distribution of the order of program introduction in the developing nations.

<i>Program area</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fifth</i>
Industrial accidents	78.0	10.1	9.2	2.0	0.0
Sickness	27.6	42.5	21.8	6.9	1.1
Old age	15.2	44.7	15.8	14.5	1.8
Family income support	13.5	25.0	28.8	25.0	7.7
Unemployment	12.1	18.2	15.2	21.2	33.3

In most frequent instances (42.5%) programs on sickness were introduced as the second statutory social security measures in the developing nations. In considerable instances these programs were introduced as the first and third social security programs too (in 27.6% and 21.8% instances respectively). In few instances programs on sickness are the fourth or the fifth national social security initiatives (6.9% and 1.8% respectively) in the developing world.

Like programs on sickness, programs age old age also most frequently developed as the second program (in 44.7% cases) in the developing world. Of course, in one-third instances, programs on old age were introduced as the third or the fourth program (15.8% and 14.5% respectively). In relatively fewer instances old age provisions were introduced as the first (15.2%) or the fifth social security initiative (1.8%) in the developing nations.

Family income support is almost evenly distributed in the middle of the order of program development. In almost equal number of instances programs on family income support were introduced as the second, third and fourth social security program (25.0%, 28.8%, and 25.0% respectively) in the developing world. Only in few instances family income support provisions were introduced as the first or the fifth social security initiatives (13.5% and 7.7% respectively).

Finally, programs on unemployment are generally introduced latter than other pillars of social insurance in the developing world. In majority instances, programs on unemployment were introduced as the fourth or the fifth social security initiative (21.2% and 33.3% respectively). These programs are less frequently introduced as early social security measures in that part of the world. Thus, we observe a general pattern in the developing world that nations tend to introduce programs on industrial accident first, programs on unemployment in the last and those on sickness, old age

⁶ Programs introduced in the same years were assigned the same order in the calculation of sequences. For example, if a nation introduced programs on industrial accidents in 1945, programs on sickness and old age in 1956, and programs on family income support in 1960, the program on industrial accident were assigned the first place, both programs on sickness and old age were assigned the second place, and the program on family income support was assigned the fourth place in the order of sequence.

and family income support in the middle. This pattern is similar to that we observed in the contexts of the developed nations.

Table 9 rank averages and mean and median years of social security program legislation in developing nations										
	Sequence of introduction					Ranks	Year of introduction			<i>Mean</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Average</i>	<i>Mean</i>	<i>Median</i>		
Industrial accident	85	11	10	3	-	1.37 (.766)	1945	1945		1945
Sickness or maternity	24	37	19	6	1	2.11 (.933)	1957	1955		1957
Old age, disability, survivor	26	51	18	17	2	2.28 (1.035)	1961	1962		1961
Family allowance	7	13	15	13	4	2.88 (1.166)	1958	1955		1958
Unemployment	4	6	5	7	11	3.45 (1.438)	1969	1982		1968

Table 9 summarizes the total and average ranks, average and median years of introduction of social security programs in developing nations (Standard deviation of rank averages are in brackets). The rank average for programs on industrial accidents is the lowest (1.37) and that for programs on unemployment is the highest (3.45). The rank averages of program sequences suggest that programs on industrial accidents are generally introduced first in the developing nations and those on unemployment generally come in the last. Programs on sickness, old age, and family income support fall in between those on industrial accidents and unemployment in the order of development. This pattern resembles that observed in the contexts of the developed nations. However, while in the developed nations, programs on old age tend to appear before those on sickness and programs on unemployment tend to appear before those of family income support, we find an opposite order between those pairs in the contexts of the developing nations. That is, in the developing nations, programs on sickness are more likely to be introduced before those on old age, and programs on family income security are more likely to appear before those on unemployment in developing nations.

Discussion

Overall, we find similar sequences of social security program development in the developed and developing nations. In both contexts we find that programs on industrial accidents are more likely to be introduced first by nations. In both the developed and the developing areas, programs on family income support and those on unemployment are more likely to be introduced after other pillars of social insurance. In both areas programs on sickness and old age are more likely to be introduced after those on industrial accidents and before those on unemployment and family income support.

These findings are consistent with what is proposed by the functionalist scholars. The observed pattern of social security program development replicates that of Flora and

Alber (1981) who examined the sequence of program development in twelve developed nations. Now with larger number of nations, including both the developed and the developing nations, we have found the same sequence. This implies that the functionalist proposition about the sequence of program development equally applies to both the developed and developing nations.

The findings are also similar to those of Kuhnle and Sander (2010) also found similar sequence in the development of programs until World War I (WWI) at the global level. This similarity implies that the pattern of program development have remained consistent since the time when the modern welfare state started to grow. This finding further strengthens the functionalist claims about the growth of the welfare state, now not only in the contexts of the developed world, rather in the global context.

Findings of this examination have significant academic implications. First, the observation that the state of social security program development in the contemporary developing world is more advanced than the state of social security programming in the pre-War developed world when the literature of the welfare state started to gain ground dismisses any claim to confine the study of the welfare state within the developed world. Second, the finding of similar sequences of social security program development in both the developed and developing nations indicates the relevance of mainstream welfare state theories in the developing areas. This means that efforts may be made to use the welfare state theories to systematically understand social welfare programs in the developing nations, which have largely remained absent till date. Third, the findings also suggest the possibility of promoting the welfare state theories to global theories through examining their relevance in the contexts of the developing nations and including developing nations in welfare state analyses. Finally, the observed differences between the developed and the developing areas in the order between programs on sickness and those on old age and that between programs on unemployment and those on family income maintenance may suggest the importance of paying attention to the contextual issues while using welfare state theories in the developing nations.

Conclusion

During the last six decades a good number of theories and models have developed that account for the emergence of and variations among the welfare states. These theories and models are largely grounded to the developed world, and empirical studies around them have also largely remained confined to the developed world. We have observed that social security programs are increasing in the developing nations. The current state of social security program development in that part of the world is even more advanced than the state of social programming when the literature of the welfare state started to flourish in the developed world. However, there have been little efforts to understand the social welfare programs in the developing nations systematically. Examination of the relevance of the mainstream welfare state theories and models in explaining welfare programs and policies in the developing nations is also rare. The study was an attempt to examine a proposition of the functionalist perspective regarding the growth of the welfare state. Similar findings in the contexts of both the developed and the developing nations indicates the hope that further effort can be made to use the mainstream welfare state theories in understanding and explaining social welfare programs and policies in the developing areas.

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