The Global Social Insurance Movement since the 1880s

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This study analyzes the global social insurance movement since the 1880s from a global historical perspective. It argues that the global social insurance movement was the diffusion of two principal models of social insurance - the German capitalist and Soviet socialist model. It further identifies two mechanisms of the diffusion, which are labeled as policy learning and policy emulation. That is, this study argued that industrial countries adopted the German model through policy learning; that socialist countries adopted the Soviet model via policy emulation; and that developing countries adopted or planned to adopt the German model through policy emulation. In both policy learning and policy emulation, however, national forces determined the timing and specifics of the adoption, while global forces provided basic ideas.

More specifically, the global social insurance movement began with German social insurance legislation of the 1880s, associated with Bismarck. But Bismarck’s social insurance, which was national and compulsory, was the result of policy learning from existing institutions of both Germany and other countries, especially France. Since the 1870s, with the speeding up of industrialization, industrial accidents and harsh working conditions began to draw wide public attention, and socialist movement became a pressing problem for the newly unified Germany. Bismarck, long been impressed by Napoleon III’s state pension systems, began to search for measures to deal with the demanding issues. Eventually, Bismarck decided on accident social insurance among the different proposals circulated in the Parliament. This was the beginning of German social insurance legislation in the 1880s. While the bills were debated in the Parliament, the German Social democrats proposed their ideas on social insurance, which became the socialist model of social insurance. Up to 1919 when the ILO was established, the two models, capitalist and socialist, began to be diffused mainly within Europe, through different channels. The German capitalist model was learned by other industrializing European countries via the major international associations on social insurance and labor legislations at the turn of the century, while the socialist model was emulated by other socialist parties along the global socialist movement. This socialist model was emulated by Russian Social Democrats and restated as the Lenin Principles of social insurance by Lenin himself in 1912.

During 1919 to 1949, the social insurance movement became truly global with the establishment of the ILO dedicating to setting up a social insurance regime based on the German model.
Thus, the German model was adopted widely not only in Europe, but also in Americas, Asia, and Africa, covering the four major social risks in most of the world. In addition, Nazi Germany extended its own social insurance systems to its controlled territories during the war. The socialist model, restated as the Lenin principles, evolved into and stabilized as the Soviet model of social insurance, associated with Stalin in the 1930s, and was emulated by other socialist parties around the world in the 1930s and 1940s. Also, in the early 1940s when the war stagnated, the allied powers saw the emergence of a new global discourse of full employment and universal social security as part of the post-war reconstruction. With the end of the war, these global norms were implemented in the increasingly divided world, although with different results. The industrial capitalist countries extended their social insurance systems to cover their entire population and thus build up the post-war welfare state. Soviet Union extended their Stalin model, and its satellites in East Europe emulated the Soviet socialist model, replacing their previous German-style social insurance; and these socialist countries extended their social insurance systems to cover their entire population, matching their competing systems in the capitalist world, although at a lower level of benefits. The developing countries emulated either the Soviet- or German-style social insurance programs, but most of their systems were poorly administered. The ILO continued to play an important role in spreading the new global norms of universal social security and full employment around the world, especially among the non-socialist countries.

Since the 1980s, however, a new global model of privatization emerged with the rise of neoliberal ideas which were developed by leading economists in the U.S. major universities. These neoliberal economists converted the World Bank which, in turn, promoted pension privatization around the world through financial and technical assistants. This new global model began with Chilean privatization of its pension insurance in 1981, and later spread to the rest of Latin America, East Europe, and other countries such as China and Sweden. Overall, this has been a process of global policy diffusion during which, however, the national forces determined the timing and specifics. But in this new age, the German model persisted as the mainstream system not only for old-age protection but for all other major social risks in the world; and the Soviet model collapsed with the communist systems, first replaced by the German model and only to be partially replaced by the global new model of privatization. Thus the mainstream social insurance programs in the world, especially in Western Europe, North America, and other non-western countries in Asia, Africa, and Caribbean, have stayed public in nature. Nevertheless, national compulsory social insurance systems established by the German model since the 1880s has remained and will remain the mainstream system in the twenty-first century around the world.