

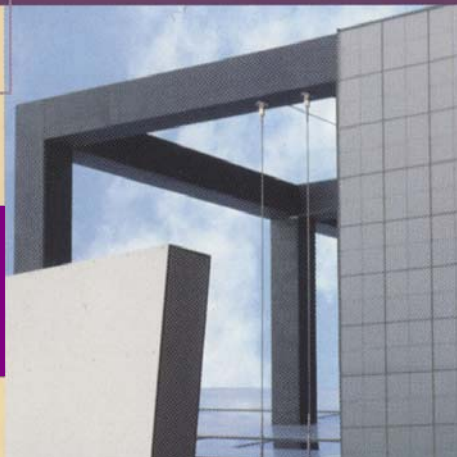


GLOBALISATION AND SOCIAL PROTECTION: THE CASE OF SRI LANKA

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In 2001, the *Journal of International Business*, published a symposium on ‘Multinationals: The Janus Face of Globalization’. In opening this work, the editors criticised international business (IB) scholars for failing to emphasise the fact that globalisation, alongside its many benefits, also has a ‘dark side’. This omission, they observed, has left IB scholars, public officials and business unprepared intellectually to confront the social back-lash against neo-liberal forms of globalisation that swelled in the late 1990s. Remedying this situation, so they argue, require a sustained effort to identify the social costs of globalisation and what might be done to contain these costs (Eden and Lenway 2001). In taking up this challenge, this paper explores the link between social policy, social protection and globalisation by utilising the experience of Sri Lanka as a case study. Focusing on social protection is particularly timely because the period since the Asian Financial crisis has seen the major multilateral financial institutions (MFIs) accord a new emphasis on the need for societies to establish a sophisticated social protection regime as part of their strategy for incorporation into the world economy. Thus far IB scholars have remained unaffected by this new emphasis (Lim 2000). However, given that the IMF (2001a), World Bank (2001) and Asian Development Bank (2001) now all advise it is unwise to ignore the enhanced insecurity globalisation can engender this situation requires remedy. This is more so become the new found appreciation of the importance of social protection to globalising societies has already induced China to increase the tax burden on multinational corporations a development that raises questions relating to the latter's attractiveness as an investment site (Zhu and Nyland 2002).

Sri Lanka is an appropriate case study because it was the first South Asian nation to open up to the global economy and is today the region's most open economy. Its appropriateness also stems from the fact that from the time of independence (1948) Sri Lankans accepted economic development must be underpinned by a sound social protection regime, investment in human resources and the promotion of gender equality (World Bank 2000, p. i). We begin by sketching the literature that links globalisation and social protection. The analytical framework is presented in the next section. By utilising this framework we then show how globalisation has interacted with the social protection regime extant in Sri Lanka and why the social policies advocated by business and the international financial agencies have not always generated the investment environment desired. Finally, the key arguments are further supported by drawing upon interviews conducted in January 2001 and by commentary issued during the general election of December 2001.

SOCIAL PROTECTION REGIMES

In the 1980s and 1990s, the major international financial agencies tended to perceived social protection as a constraint on the effective functioning of markets and global integration that should be residualist in character and preferably provided by the private sector (Yeates 2001, 95-126). At the end of the century this perspective was tempered by the experience of the Asian financial crisis and by research that explored the link between social policy and globalisation. Much of this literature focused on the manner by which states receive globalisation with attention centred on the danger of ‘social dumping’ and whether integration into the global economy undermines the capacity of nation's to sustain welfare states (Mishra 1999, Ratinoff 1999, Alber and Standing 2000). A further topic of concern was whether social policy can enhance the capacity of nations to integrate into the global economy. Notable contributors to the integrative literature include Rodrick (1998) who worked to explain why open economies tend to have large governments and Rieger and Leibfried (1998) who attribute to social policy a decisive role in determining the pace, timing and extent of globalisation. Recent publications of International Financial Institutions (IFIs) that reflect the positive influence of this literature include a 2001 World Bank report, *From Safety Net to Springboard* that argues that given the volatility of global markets there is an urgent need for developing nations entering the global economy to develop effective social protection policies. The report urges governments and business to recognise globalisation both offers enormous opportunities and exposes countries to new dangers, “unless they adopt the economic, social, and institutional reforms necessary to exploit the potential of the global economy” (World Bank, 2001). Similarly, the *International*

Monetary Fund (IMF) in 2001 issued a report titled *Social Dimensions of the IMF's Policy Dialogue* in which it acknowledged the need to emphasise social protection when managing financial crises. The Fund conceded that it had not always paid close attention to the social conflict globalisation can engender but insists this omission is being remedied. Not to be left out the Asian Development Bank (2001) produced its *Framework for Operations on Social Protection in Asia and the Pacific* which acknowledged globalisation can induce significant social costs and that greater attention needs to be paid to these costs by the IFIs, business and governments.

Globalization, while increasing the opportunities for growth, will also increase the country's vulnerability to external shocks, and the risk of increased unemployment and poverty and likely political instability. Most of the political reaction against globalization is a result of the absence of adequate social protection systems, which makes implementation of reforms very difficult given that populations may have to pay the costs of reform in the short term. Globalization requires the development of effective social protection systems. The world's forward looking development agendas give a (sic) social protection a primary role to sustain growth and well functioning markets (ADB, 2001: 32).

The new emphasis on social protection has induced IFIs to revisit their understanding of the role social protection regimes (SPR) play in globalising economies.

The term SPR refers to a conceptual framework developed by Esping-Andersen (1990, 1999) to provide a means for the cross-country comparison of social policies which he believes captures "the combined, interdependent way in which welfare is produced and allocated between state, market and family" (Esping-Andersen 1999: 34-5). He holds SPRs are shaped by social coalitions working within a context made up of divergent patterns of state, market and household form with their character being influenced by the degree and manner to which labour is shielded from market forces and by the divergent stratification outcomes that emerge from social dialogue and conflict. For analytical purposes, Esping-Andersen uses a parsimonious typology that consists of three basic frameworks the Anglo-Saxon liberal, the conservative-corporatist and the social-democratic which he characterises as follows:

Table 1: Characteristics of Social Protection Regime

	Liberal	Social democratic	Conservative
Role of:			
Family	Marginal	Marginal	Central
Market	Central	Marginal	Marginal
State	Marginal	Central	Subsidiary
Welfare State:			
Dominant mode of solidarity	Individual	Universal	Kinship Corporatism Etatism
Dominant locus of solidarity	Market	State	Family
Degree of de commodification	Minimal	Maximum	High (for bread-winner)
Model Examples	USA	Sweden	Germany, Italy

Source: Esping-Andersen, *Social Foundations of Postindustrial Economies*, 1999, p.85

While Esping-Andersen's typology has received wide applause because it has proven a remarkably good predictor of how countries respond when budgetary constraints pressure governments. Anglo-Saxon liberal societies tend to sacrifice wage equality; conservative-corporatist regimes sacrifice employment growth, and social democratic nations sacrifice budgetary restraint. What has also been striking is that extant

regimes have tended to be sustained in the face of globalisation there being very limited convergence. These general observations, however, apply only to Europe and North America. Whether they are relevant to developing states remains untested. In the aftermath of the Asian financial crisis, the World Bank commissioned Ian Gough to adapt Esping-Andersen's typology to a form suitable for analysing social protection in developing societies. In so doing, he observed that developing countries tend to have a number of common characteristics relevant to social protection. Many of these countries are former colonies; most are integrated into the global economy but typically are plagued by indebtedness, sectoral imbalances, reliance on the goodwill of international financial institutions, and have relatively low levels of industrialisation and income. They also have a greater imbalance of power relations than is normal in the OECD, a weaker or entirely absent class organisation of politics, less democratic practices and state infrastructural capacity, and a greater range of functional alternatives to Western-style social protection beyond the state - religious, NGO, enterprise-based, foreign aid, local/communal, clan and household. These features have implications both for the nature of the SPR likely to be sustained in developing countries and the way the country interacts with the global market. If the nation has a colonial history this will be reflected in the character of the SPR it inherits and sustains (Gough 1999: 9). Also constraints imposed by the global economy tend to be greater for developing societies. In particular, many nations proved unable to handle the terms of trade and debt crises of the 1970s and 1980s and consequently had changes to their SPRs imposed on them by the IFIs. This development often proved of critical importance for the IFIs tended to be informed by an Anglo-Saxon liberal economic agenda that favoured privatisation and a residualist approach to human security (Cornia 2001, Deacon 1997).

One factor Esping-Andersen holds common to all three of the frameworks in his typology that is often not manifest in developing countries is social stability. In many developing countries this precondition is not met because of the pressures generated by the industrialisation, urbanisation, internal migration, the decline of clan and kinship systems and traditional gender relations generated or intensified by globalisation. Commonly, the nature and distribution of power resources also differs markedly from that assumed by Esping-Andersen whose perspective is largely class-based centring on 'social settlements' negotiated between business, labour, the state, and more recently the family. This framework is sometimes applicable to developing countries but may need modification given political mobilisation often centres on ethnic, religious, racial, regional, and caste differences rather than on social class. Greater attention also needs to be accorded the role of NGOs than is normal in OECD focussed analyses. In closing his discussion of key factors that differentiate SPRs in developing countries from those in the OECD Gough provides the following:

Table 2: The Key Dimensions of SPRs in Developing Countries

Dimension	Suggested Measures
Welfare Regime:	
Welfare outcomes	Human Development Index (HDI); Gender-related Development Index (GDI); Human Poverty Index (HPI)
Welfare mix	Proportion of household resources represented by state transfer and benefits; private expenditure on social welfare; Overseas aid; remittances from abroad; non-profit provision of services; enterprise welfare; communal provision; household provision and household strategies
State policy mix	Expenditure/budgets on social programmes and their functional equivalents
Influencing institutional factors:	
Socio-economic environment	Income per head, share of population in agriculture; extent of market provision of services; dominant household forms
International environmental constraints	Historical 'path of development'; indebtedness; receipt of foreign aid
State structures and political mobilisation	Indices of democracy and human rights; measures of corruption and clientelism; forms of political mobilisation; indices of conflict

Source: Gough, (1999). *Welfare Regimes: On Adopting the Framework to Developing Countries*, p.16.

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This section examines how the Sri Lankan SPR has interacted with globalisation, with emphasis on the ways the society sought to create an investment climate appropriate to globalism. It will be argued the Sri Lankan case supports Gough's claim that the greater capacity of IFIs to influence public policy in developing countries is manifested in the prevailing SPR but so too will the nation's historical path, stage of development, level of democracy, and the character of political mobilisation. Sri Lanka is best located within Esping-Andersen's liberal framework but it is a country that retains many of the social democratic elements of social protection embraced at the time of independence. As a consequence of this latter fact it has achieved a level of human development remarkable for a nation with its GDP.

Welfare and GDP outcomes

With 19 million people Sri Lanka has maintained a literacy rate above 80 percent and life expectancy above 70 years (World Bank 2000).

Table 3: Human Development Index (HDI) in Selected Countries 1975-1999

Country/Year	1975	1980	1985	1990	1995	1999
Australia	0.842	0.859	0.871	0.886	0.926	0.836
Malaysia	0.614	0.657	0.691	0.720	0.758	0.774
<i>Sri Lanka</i>	<i>0.614</i>	<i>0.648</i>	<i>0.674</i>	<i>0.695</i>	<i>0.717</i>	<i>0.735</i>
China	0.522	0.533	0.590	0.624	0.679	0.718
Pakistan	0.343	0.370	0.403	0.441	0.476	0.498
Bangladesh	0.332	0.350	0.383	0.414	0.443	0.470

Source: UNDP, Human Development Report 2001, 145-47

The picture revealed by the Human Poverty Index (HPI-1), however, is not complimentary being 31% compared to Malaysia (13%), and China (24%) (UNDP 2001, pp. 149-150). The provision of advanced welfare programs in a developing nation has been described as the 'welfare first growth later' development approach (Lakshman 1997; Tilakathna 1989). It is a strategy that has been the subject of much criticism by those who note if less had been spent on social protection the country could have devoted much more of its GDP to investment (Kelegama 2000). The nation's growth rate is presented in Table 4:

Table 4: Annual Growth Rate (%) in Selected Countries 1970-95

Country	1970-77	1977-83	1983-95	1970-95
Malaysia	7.9	7.2	6.6	7.1
<i>Sri Lanka</i>	<i>4.0</i>	<i>5.8</i>	<i>4.1</i>	<i>4.5</i>
China	4.3	8.7	10.8	8.5
Pakistan	4.3	5.6	5.4	5.1
Bangladesh	0.2	5.4	4.1	3.8

Source: World Bank, World Development Indicators

Of course this criticism is often countered by noting that it assumes the increased funds that could have been made available would have been invested in productive activity. The validity of this counterfactual cannot be known and the criticism also misses the point that the highly developed SPR may have made a major contribution to the country's ability to sustain a parliamentary democracy even though it has been plagued by a continuing civil war (Jayasuriya, 2000). The latter situation has been an especially acute problem though this begs the question of to what extent did the abandonment of the welfare first strategy cause the outbreak of war.

The Evolution of State Social Policies

The development of a country's social protection regime is often best explained with reference to its historical development. This is certainly the case with Sri Lanka. For almost five centuries from 1505 to 1948, the country was successively under the domination of Portugal, Holland and Britain respectively. This history created a trade-dependent economy and a SPR modelled on Britain's post-war universalistic approach to welfare (Jayasuriya 2000). An extensive system of food subsidies was put in place during WWII and following independence these subsidies were expanded to include free education from kindergarten to tertiary level and free health services. Reflecting the anti-imperialist sentiment common in the country, the SPR was funded by highly progressive taxes on the commercialised plantation sector. In short, as with most of the countries of Asia (Gough 2000) Sri Lanka inherited a SPR that reflected the beliefs and practices of its former colonial rulers but unlike most of these states it sought to extend

welfarism and did so by attempting to place the cost on that sector of industry most integrated into the global economy.

Key reasons why the welfare first strategy was embraced in the post-war years included the fact that it enabled conservative governments to both ‘deprive the left of popular support’ (Athukorala and Jayasuriya 1994, p. 7) and moderate social conflict between contending ethnic and social groupings (Jayasuriya 2000). However, by so doing conservatives consolidated social protection as a dominant theme of competitive politics. The extent of this embeddedness manifested when an attempt by the ruling party to reduce food subsidies led to its defeat in the election of 1956. This was an experience that remained alive for many years in the country’s political memory and as a result the universalistic approach to social protection survived unchallenged until the 1970s (Table 5).

Table 5: Social Protection Regime in Sri Lanka 1948-2000

	1948-56	1956-70	1970-77	1977- 94	1994-2001
Political ideology	Conservative	Social democracy	Social democracy	Liberal	Centre Left
Nature of state	Welfare state Expansion	Welfare state expansion	Welfare state consolidation	Declining welfare state	Decline of welfare state
emphasis	Universalistic	Universalistic	Universalistic	Selective	Selective
Main focus	Redistribution	Redistribution	Redistribution	Production	Production

During the 1960s Sri Lanka experienced deteriorating terms of trade and consequent increasing government deficits. Foreign exchange reserve was depleted and economic growth slowed dramatically from 4.8% in 1965-69 to 2.7% in 1973-75. These developments forced the government to curtail social protection spending and in 1972 food subsidies were means -tested for the first time (Athukorala and Jayasuriya 1994). This step constituted a fundamental challenge to the prevailing universal SPR (Jayasuriya 2000). The political repercussions were explosive despite subsequent attempts by the left coalition government to moderate the process until 1976. The conservative United National Party capitalised on the discontent promising to restore food subsidies and consequently won a sweeping electoral victory in the 1977 election.

Though elected on a promise to continue food subsidies the new government chose to pursue a neo-liberal agenda abandoning welfarism and introducing pro-market policies in trade and finance that had long been demanded by the business community, foreign investors and the leading IFIs. This dramatic change was made possible by the magnitude of the governments’ parliamentary supremacy and its willingness to placate the demands of the global investment community and the international financial agencies. The World Bank was particularly forthcoming in its willingness to provide the government with inducements to encourage it to embrace a pro-export oriented development strategy facilitating a significant increase in foreign loans and aid from 1977 which continued through to the mid 1990s reaching 56.6% of GDP by 1995 with the Bank being the primary contributor (ADB 1997).

As a consequence of the post-1977 reforms Sri Lanka became the first South Asian country to embrace the neo-liberal growth strategy. The impact of the policy changes on the deep-rooted SPR was dramatic. The focus of state social policy was shifted from redistribution to the promotion of export production. A great deal of public investment was focused on infrastructure projects development that reflected the proposition then popular in the World Bank that large scale projects would provide low-income families with employment that could be substituted for welfare subsidies. In short, it was assumed the benefits of these projects would ‘trickle down’ and thereby reduce the state’s fiscal burden and role in the provision of social protection. The ADB argued in a similar vein that the “generous social welfare programs of the pre-1977 period ... maintained the poor in a low-level equilibrium, reducing the incentives for productivity and growth savings” (ADB 1997, p.47). Consistent with this perspective the government limited social

protection to the provision of residual social safety net services for low-income groups and severely curtailed social expenditure.

Table 6: Social Expenditure as Percentage of GDP

	1951-55	1961-65	1971-75	1981-85	1991-95
Social Expenditure	7.1	10.5	9.9	5.5	9.3
Food security	2.4	3.7	4.3	0.2	0.9
Education	NS	4.0	2.9	1.9	2.8
Health	NA	2.0	1.5	1.0	1.5
Other social services	0	0.1	0.2	0.1	4.1

Source: Central Bank of Sri Lanka, *Annual Reports*, various years

Along with the curtailment of social expenditures privatisation was introduced into public transportation, health care and education with ‘the public-private mix [becoming] diluted in favour of the private sector’ and efforts were made to weaken the legal provisions shielding labour from market pressures (Jayasuriya 2000, p. 19).

Labour Market and Trade Unions

The formal labour market in Sri Lanka is characterised by a level of unionisation that is high for a developing country (ILO 1997). Until 1977 the leftist parties which supported centre-left coalition governments in 1956, 1960 and 1970 largely dominated the unions and they were able to secure relatively good wages and sound work place relations during this period. Unions in the plantation sector, by contrast, established a working relationship with both UNP and PA and as a consequence both the major parliamentary groupings have links to the labour movement.

An ILO-commissioned study estimated that data on employees in the informal sector is not readily available but this sector produces approximately 40 percent of the GDP. Lack of reliable data is a concern as this sector has tended to increase with globalisation which has induced ‘more reverse graduation into the informal sector from the formal sector than the other way around’ (ILO 2002 cited in Sunday Observer 6 January 2002). As a consequence, rather than encouraging the development of the nation’s human resources in many cases globalisation has pushed parts of the labour force into insecure, low-paying unorganised industries where non-formal employment practices dominate and unionisation is rare.

Table 7: The Structure of the Trade Unionism in Sri Lanka

	Formal Sector		Informal Sector
	Private/public	Plantation Sector	Mainly Subsistence Agriculture
Organisation	Trade unions	Trade unions	No specific trade unions/societies
Social/financial protection	Social protection, EPF/ETF/ pension	Social protection EPF	Social protection
Legal protection	Labour laws	Labour laws	No specific labour laws
Bargaining power	Strong but declining	Strong	Very low

Though the nation’s SPR has never included unemployment insurance, the system of parliamentary democracy with all political parties having links to labour has constrained the ability of the state to weaken workers’ rights. The continued strength of unions was also aided by the fact that successive governments

viewed job security as a means of ensuring income to employees in the absence of unemployment benefits (Kelegama and Salih 1998). Nevertheless, after 1977 the country stepped into a new era of labour relations. The conservative government relaxed a number of labour laws and assisted its allies in the trade unions to win control of trade unions in the manufacturing and service sectors. These efforts enhanced the capacity of employers to determine work place relations a process further assisted by the establishment of export processing zones (EPZs) and the subsequent extension of the free trade regime to the whole country. The EPZs created a new type of workforce - young female workers – whose entry into the formal sector signified a new development in workplace relations. Low wages, unsafe work and high production targets became major issues of contention and a source of social instability. This latter tendency was compounded by high unemployment, downsizing and privatisation through the 1980s these latter developments being supported by the IFIs. The World Bank financed a number of privatisations (Kelegama 1998) while the ADB concentrated on introducing selected elements of new public management within the public sector (Government of Sri Lanka 1996). The consequent instability can reasonably be considered a cost of these reforms and part of the dark side that tends to be shaded by those scholars and functionaries who fail to concede the Janus face of Globalisation.

Intra-family Support

Even in highly industrialised societies intra-family support remains the third primary pillar of all social protection regimes (Esping-Anderson 1999). In Asian countries ‘family’ is conceived more widely than the western nuclear family. As is common throughout the region the family fills many gaps in the prevailing social safety nets. In the post-1977 period many families responded to the reduction of welfare programs and the weakening of job security by drawing on common family resources to meet social obligations and where possible to send their children abroad for employment or higher education. Many ‘working spouses’ also absorbed the initial shock of retrenchment by taking full responsibility of meeting family needs. Working spouses also financed family members to establish small businesses following retrenchment (for details see IPS 1999).

As in Western countries, the social protection literature in Sri Lanka has paid little attention to the role of intra-family support (Jayasuriya 2000). Research on social policy has identified the importance of private transfers within extended family groups in the event of financial difficulties, but exploration of this activity is very much underdeveloped (Jayasuriya 2000). It seems such arrangements are deemed family specific rather than a part of the social protection regime.

NGOs and Community Organisations

Apart from the core elements in the Esping-Anderson model, a much wider range of actors influence the changes of the provision of social policy in Sri Lanka than in OECD nations. For instance, like in other Asian countries, grass-roots NGOs are becoming an increasingly important part of the SPR in Sri Lanka. It is estimated the total number of NGOs engaged in social development in the country range may be as high as 60,000 many funded by foreign agencies (ADB 1997). NGOs have a number of advantages in community development: their flexibility in delivering goods and services to the poor; a good capacity to enhance people’s participation at the grassroots level and close proximity to local communities. NGOs such as ‘Sarvodaya’, ‘Sanasa’ and ‘Seva Lanka’ have supported rural communities with nursery education, social services and rural credit.

Informal social institutions, which help the poorest at grassroots level to survive in times of crisis, are an important part of social protection. They provide a wide variety of services namely essential provisions, meals, loans and employment to the poorest groups (Davis 2001) and enhance people’s participation. At the grassroots level in Sri Lanka a large number of community organisations such as Village development Organisations, Self-help Organisations and Women’s Development Organisations can be found. Their prominent role in mobilising and organising rural people needs to be recognised. With decentralisation of power, these organisations could be used more effectively as an alternative channel to deliver social services to the poorest. However, in the process, as Davis (2001) points out, elite groups in rural areas would secure an influential position in these organisations through their education and land ownership and might become the net beneficiaries of these services.

In summary, a welfare approach to development that prevailed in Sri Lanka after the independence was part of the inheritance it gained from the last great wave of globalisation. Until the 1970s, the country embraced universalism providing free health, education and subsidised food financed by redistributing income of the internationalised sector of the economy (Jayasuriya 2000). From 1977, the country responded to the solicitations of the IFIs by opening up to the world economy. In the subsequent neo-liberal environment state funded social protection became residual and targetted. This was a trend not reversed by the defeat of the UNP in the elections of 1994 (World Bank 2001, p. 75) nor will it be reversed following the return of the UNP to office as a consequence of the elections of 2001. Certainly, it will not be reversed as a result of pressure exerted by the IFIs. While the latter bodies have become vocal in highlighting the importance of the link between social protection and globalisation they have continued to demand of Sri Lankans that they engage in more intensified targetting of social protection, further curtailment of job security enhancing instruments, and further privatisation of the nation's SPR (World Bank 2000; IMF 2001b). Underpinning these demands is a continued faith in the neo-liberal agenda that has been shaken but not broken by the Asian crisis and the research of scholars such as Rodrik. Insights on whether Sri Lanka will be able to deliver on this agenda and particularly the latter element were provided by the interviews undertaken in January 2001.

RESEARCH METHODOLOGY

The interviews focussed on three groups of informants: Ministers, Senior Bureaucrats and Employees/ ex-employees (public sector). They were conducted in Sri Lanka during the period of January-February 2001 with 2 Ministers in the central government, 11 Senior Bureaucrats (Ministerial Secretaries and Directors in the public sector including a high officer of the Central Bank) and 3 employees (from Ministry of Agriculture and Ministry of Education) and 5 ex-employees (from Mahaweli Authority, Ministry of Agriculture and the Steel Corporation). It was important to include all three parties: policy formulators (politicians), implementers (bureaucrats) and beneficiaries (employees/ex-employees) in order to examine the different views of the prevailing SPR. The selected politicians had major portfolios in the national government and the bureaucrats were largely responsible for policy implementation. The employees each had more than fifteen years of service in the public sector and hence had experienced the recent changes to social protection. Three of the former employees had taken early retirement due to the attraction of retirement packages financed by the government. The other two former employees were retrenched due to privatisation in the 1990s.

In addition, a number of informal discussions were conducted with senior bureaucrats in the Ministry of Labour, Ministry of Social Services and the Ministry of Finance in order to understand the extent to which social protection is being modified to meet the needs of globalisation. A structured questionnaire was used and data was gathered from face-to-face interviews which allowed the establishment of trust and rapport and facilitated the provision of more in-depth understanding which was not possible with a survey questionnaire (Zikmund 1997). The average interview was 30-90 minutes and was conducted both in the native language (Sinhala) and English, whichever was convenient to the participants.

FINDINGS AND DISCUSSION

The results and discussion have been divided into three main areas: understanding of the social protection regime in Sri Lanka; recent changes with regard to core elements of social protection in an era of globalisation; how the key elements are balanced.

Understanding of Social Protection Regime in Sri Lanka

All participants had a sound knowledge of the different forms of social protection extant in the country and all insisted the gravity of the country's political and social constraints would discourage any attempt to reduce government involvement in social protection. When asked to identify the core elements of social protection, most stressed the role of government and the non existence of unemployment benefits. Most participants were unaware intra-family support is normally seen to be part of a society's SPR; rather it was

perceived as something to be taken for granted within the context of traditional social value system of Sri Lanka. On the other hand they did accept that NGOs had a key role to play in the country's SPR.

The politicians, bureaucrats and employees interviewed had divergent political and ideological allegiances as is summarised in Table 8.

Table 8: Different Views of Social Protection Regime in Sri Lanka

Political Ideology	Main Focus	Participants (%)	Participant Category
Liberal	Market approach – trickle down effect	14.3	Bureaucrats/politicians
Intermediate	Market approach with social equity – growth and welfare	61.9	Bureaucrats/Employees/Ex-employees/politicians
Social democracy	Welfare state – welfare oriented growth	23.8	Bureaucrats/Ex-employees/Employees

Table 8 clearly indicates that intermediate approach to social policy that emphasises both growth and welfare through market mechanisms was favoured by most participants. This perspective is compatible with the general election of December 2001. During the election all the main political parties accorded social protection a high priority. The former ruling body, the People's Alliance (PA), declared its strong commitment to a wide range of social security programs focused on health, education and poverty alleviation. The PA is 'firmly of the belief that government should be of the people and for the people'. The benefits of the open economy should not be restricted to only a privileged few, but opened to all and hence should reach out to enrich the lives of the poorest in the country (PA Party Manifesto 2001). Likewise, the UNP stressed job creation and the need for a social protection regime that would secure social equity for all (UNP Party Manifesto 2001). It appears that the commitment of the UNP to a 'people-oriented' development plan greatly influenced floating voters and helped the party to secure a clear majority in the parliament. The UNPs 'people-oriented' plan argues that while the private sector should play the key role in economic activity, government has a significant role in the area of social protection. Notably not a single politician advocated the pre-1977 approach to social protection. By contrast, the perceptions of employees were quite different for while accepting the importance of market-oriented policies for job creation, they insisted the state alone has responsibility for the protection of employees from disruptions arising from market failures. Indeed, they did see how non-government agents could participate in providing basic elements of social security. Of those bureaucrats who emphasised the need for a welfare first strategy most had worked in pre 1977 governments.

All participants were aware the traditional notion of job security (mainly in the public sector) has been challenged by privatisation and restructuring. Most were also of the view that though the government knew this challenge was likely to induce further retrenchments it would not embrace a systematic approach to address the problem. This was a response that drew criticism from the majority of the senior bureaucrats. At the same time a number of the bureaucrats were wary of introducing unemployment insurance. For instance, one senior bureaucrat responsible for implementing key economic policies and advocates marketisation observed:

People should be able to find new jobs if they loose their jobs. It is their responsibility to shape their abilities for the existing job market. We don't need a comprehensive social protection system but we do need effective management practices to boost the economic growth in the country.

Some participants pointed out that in the present Sri Lankan context, social protection is 'target' centred and focused on the poorest.

Changing Trends in the Social Protection Regime

All participants were aware that the government from 1977 sought to contain the role of the state in economic activities and initiated an extensive reduction of social welfare spending. One senior bureaucrat pointed out that both major parties have come to prefer a target-group approach to social protection. He argued this approach would increase employment opportunities for low-income groups though he was concerned that the major poverty alleviation programs would be overshadowed by political opportunism. Extensive media attention on the effects of political interference on the Samurdhi program and the UNP's subsequent declaration that it would depoliticise this program during the December 2001 election are indicative of the wide acceptance of this belief (UNP Manifesto 2001).

Despite the fact the nation's education and health services are still free of means testing, the quality of service of this area of the public sector is gradually deteriorating a tendency that is increasing the demand for private health and education services. The participants accepted this gap is likely to increase further in the future given the decreasing contribution provided these services by the state.

A bureaucrat claimed further reform of the existing labour market that would enhance flexibility is long overdue given the pressures induced by globalisation and declared this process continued to be hampered by the expected political repercussions of reforming labour laws. This individual was also critical of union leaders who he claims have failed to appreciate the imperatives of globalisation enviously contrasting the situation in Sri Lanka with that in China. The new environment requires new approaches to safeguard workers, he insisted, and to him it was clear neither the government nor the unions were keen to address these issues.

The majority of bureaucrats maintained that the family could not make any significant contribution to social protection. This was supported by one employee who observed traditional systems of intra-family could not cope with the complex social issues arising from the rapid marketisation and commercialisation of Sri Lankan society.

INTERACTION BETWEEN THE CORE ELEMENTS OF THE SPR: LABOUR MARKET, WELFARE MARKET AND FAMILY

Where the participants recognised the individual merits of the three core elements of social protection regime they remained unaware of how these agents interacted. One bureaucrat in the Ministry of Labour claimed:

We can hardly see any interconnection between these three sources. What I really see is that almost all employees expect that the government has the sole responsibility of safeguarding the welfare of workers, especially in the event of termination. However, there is no unemployment insurance scheme similar to that of developed countries. Skill development for alternative employment is remote. No machinery to monitor alternative employment or self-facilitating system for employment for semi-skilled or unskilled workers. Hence, there must be a regulatory government body that can monitor labour issues in the process of retrenchment.

However, having made this observation he proceeded to explain that while the state can do little to protect employees when foreign firms terminate their activities, on occasion it had sought to find employers willing to restart such ventures. Moreover, he accepted it was the state's role to help businesses and workers during difficult times. Thus he suggested the administration should seek to identify alternative financial sources for the firms, provide counselling for workers, and provide retraining to assist the unemployed match the needs of the labour market. Another member of the same Ministry highlighted the problems created when the state and labour market failed to interact effectively. He noted that workers were often left with little understanding of how to apply for reemployment, suffered from bureaucratic red tape and were left with no choice but to turn to their families and friends.

A Senior Secretary of a ministry was of the view that the role of the public sector in the provision of social welfare was crucial, even though the government had embraced market liberalisation. State failure in providing for the needs of the poor he cautioned would jeopardise not only the liberalisation programs, but also the social and political stability of the country. He was critical of IFIs and observed adherence to IMF and World Bank programs without due consideration of their social implications could create more harm than good. More specifically he stressed that countries such as Sri Lanka should accord more thought to the hardships the people face when they lose their jobs due to the restructuring of the economy.

Politicians interviewed conceded the country needs to make adjustments in labour relations in order to realise the maximum benefits of globalisation. They insisted that without undermining the importance of government in the provision of social protection, it was necessary to explore new avenues that could effectively reduce the burden placed on the government. NGOs should be used more effectively to facilitate the provision of social policy they observed these bodies being helpful channels to reach target groups. Although they were aware intra-family support provides some relief to family members they accepted increasing economic difficulties and the changing cultural and social attitudes in the country, the role of intra-family support in social protection regime would weaken in the future. Most employees in the participant group believed there were a number of ways by which the government could and should assist them and their families when the market failed to provide employment. These included low-interest loans for their children's education, health care facilities and retraining programs.

Overall, the majority of the interviewees believed the government was the ultimate provider of social protection. The majority accepted the need for an expanded role for the private sector in the economy but did not accept this diminished the need for the government to underpin markets with a sound SPR. In short, in the current era of globalisation, the majority of interviewees stressed the key role of the government in protecting labour from the disturbances of the market. In particular they pointed out that when the private sector, which is profoundly profit oriented, is the key player in regulating economic activity, the government cannot ignore the welfare of both employers and employees.

CONCLUSION

Intergovernmental Organisations and most IB scholars have concentrated on highlighting both the 'bright side' of globalisation and the benefits of a market-friendly economic agenda. The widely discussed 'Asian miracle' countries of East Asia have been cited as notable examples of the benefits to be gained by integrating into the global economy. The explosive social and economic consequences of the Asian economic crisis of the late 1990s forced governments and the IFIs to reconsider the role of social protection regimes in the process of globalisation. Intergovernmental Organisations, the IMF in particular, were severely criticised because many concluded their conditional financial assistance increased the gravity of social and economic problems in these countries. This painful experience emphasises the timeliness of developing social protection regimes that can effectively link global business activity, social protection and the needs of developing economies. In this paper the manner by which the globalisation process has interacted with the SPR established in Sri Lanka after independence has been explored by utilising the framework developed by Esping-Anderson as modified by Gough. The study found that the capacity of Sri Lanka to sustain its welfare first program was weakened by shifts in the global terms of trade and by pressure exerted by donor countries and the IFIs. Following the country's embrace of the neo-liberal economic agenda the political stability that had characterised the nation was lost. Nevertheless, the World Bank, IMF, etc gave their full support to the further adoption of residual and privatised welfare measures. What has also been discovered is that the major political parties remain extremely wary of introducing further cuts to government expenditures on social protection. Moreover, it is clear that a cultural commitment to universal social protection remains at least as regards education and health. This is manifest not least in the fact that politicians, bureaucrats and workers all continue to accept the state has the duty to continue to provide these goods and to remain the primary supplier of social protection. Politicians are fully aware financial difficulties may render them susceptible to further pressure from the IFIs to reduce social protection expenditure, but it is notable that during the general election of December 2001 the two major political parties stressed that they would maintain existing social protection programs.

The Esping-Andersen/Gough framework has survived well the test provided by this exploration of the history of the Sri Lankan SPR. It has found the state, labour market and family are all important elements of this regime even if the last is not always a factor incorporated into social protection debates. The historical development path and level of democracy have also been shown to have been important and as predicted the greater significance of IFIs, NGOs and global market pressures have been found to have greater significance than is thus far manifest in the OECD nations. Rodrik (1998) has observed, that countries may employ divergent approaches to social policy according to local requirements but it is clear the provision of effective social protection is a critical element for successful integration into the global economy. The experience of Sri Lanka adds testament to this observation.

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