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The Sri Lankan Welfare State
Retrospect & Prospect

by
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This is the first of a series of refereed research publications which address issues of the social dimensions of development.

The Sri Lankan Welfare State:
Retrospect and Prospect.

Laksiri Jayasuriya

The Centre for Development Studies at Edith Cowan University (ECU) currently hosts the Inter-University Consortium for Development Studies of Western Australia (ICDS/WA) which is a collaborative venture between Curtin University of Technology, Murdoch University, University of Western Australia and ECU.

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THE SRI LANKAN WELFARE STATE

RETROSPECT AND PROSPECT

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Introduction*

Sri Lanka ranks as a test case in the literature on economic growth in developing nations for its unusual attempt to incorporate growth with minimum standards of welfare to satisfy basic needs, especially of the poorest, with growth. This is revealed in comparative studies which have sought to measure living standards on a range of social indicators in relation to economic development. Thus, for example, on the *Human Development Index* (HDI) which takes account of achievements in meeting basic needs such as education and health, developed by UNDP (1994), not only does Sri Lanka rank high in comparison with other developing countries; it also enjoys a relatively high standing for a country with a poor per capita Gross National Product (GNP).[1] Sri Lanka's achievement, relative to comparable countries on several social indicators (e.g., 87% literacy rate, mortality rate of 17 per 1,000 live births, life expectancy of 70 years) is remarkable, and warrants greater appreciation and understanding by policy makers, scholars and developmental theorists (World Bank 1988; Grandea 1993).

Despite these achievements, surprisingly the study and analysis of Sri Lanka's welfarism has been mainly confined to the domain of economic policy analysis. This too, barring some exceptions, has been carried out mainly by economists and developmental theorists attached to international agencies such as the World Bank, International Monetary Fund (IMF) and associated research institutes. The study of welfare as an aspect of *social* policy rather than *economic* policy (Boulding 1967) has been singularly neglected by Sri Lankan scholars as well as those overseas. The disciplined study of social policy is concerned with 'all forms of collective interventions such as fiscal, occupational and social programs that contribute to general welfare' (Rein 1970, 4), and, is focused on the rationale, objectives and social consequences of public policies dealing with welfare—in the *how*, *why* and *what* of social policy. Indeed, as Titmus (1950), one of the pioneers in the study of social policy, observed, 'social policy is concerned with social purposes', and should not be seen simply as a tool for reaching decisions.

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* This Paper is an extended version of a paper first presented at a Seminar organised by the Institute of Policy Studies (IPS) Colombo, Sri Lanka, on 9th August 1955 to mark the occasion of the 50th anniversary of the Kannangara Report on Education, I gratefully acknowledge the helpful comments of Saman Kelegama and colleagues at IPS, Gamini Fernando, and Kanishka Jayasuriya; the usual disclaimer applies.

This paper represents a foray into the relatively neglected domain of social policy analysis by looking at Sri Lankan welfare experience as the outcome of welfare state policies. As a preliminary exercise in social policy analysis, it adopts a distinctly historical perspective to the analysis of social policy in Sri Lanka. Thus, while not discounting social and cultural influences, social welfarism in Sri Lanka is seen as a legacy of its British colonial past when many of the social policies, programs and initiatives associated with welfare originated in the pre-independence period. With the exception of a few theorists who have examined the complex relationships between welfare and growth in Sri Lanka, this 'long history' (Osmani 1993) has not been properly understood and conceptualised. These historical influences are extremely important and need careful scrutiny by policy analysts as they provide an essential contextual background to understanding the logic and rationale of current policy strategies. To this end, the paper is organised around two major sections. One deals with the examination of the growth of welfarism, its rationale, policies and their overall assessment. The other, is more conjectural, employing a comparative social policy perspective. It outlines some of the theoretical perspectives currently available for the analysis and eventual restructuring of the welfare state.

The historical policy focus in the first section of the Paper examines the how, why, and wherefore of social policy developments in Sri Lanka. This section identifies, in the context of the social and political development, the major factors responsible for the emergence of the Sri Lankan welfare state. Although the origins of welfarism are located in the recent colonial past (1931-48), it is suggested that the consolidation of the Sri Lankan welfare state, as a distinct aspect of co-ordinated state policy, occurred in the 1960s and was a major achievement the Social Democratic parties of the Centre Left. Hence, the 'crisis of the welfare state', coincides with the decline of the social democratic state, and the coming into power in 1977 of a conservative neo-liberal government committed to economic liberalisation, an open economy, and the demise of the welfare state.

The second section briefly sketches recent developments in the analysis of welfare state policies in the developed countries of the advanced Western industrial countries with a view to suggesting alternative conceptual schema for evaluating the Sri Lankan experience of welfarism. It is argued that the lessons drawn from recent comparative studies, though based on examples drawn from advanced Western industrial societies, may be valuable in offering the new coalition Centre Left government some guidelines for the restructuring of the welfare state by integrating the goals of economic and social development.

The Historical Origins of Welfarism

From the earliest days Sri Lanka as a British colony was a testing ground for British political ideals in a range of institutions, social and political. Hence, Sri Lanka was one of the first countries to have a jury system, grant universal franchise and introduce parliamentary institutions. Sections of the comprador elite of colonial Sri Lanka were imbued with the liberal social and political values of Victorian England and manifested a kind of utilitarianism in their social thinking. These ideals, bearing the imprint of liberal and Fabian socialist thinking were also reflected in colonial policy, as evidenced by the Donoughmore Report. The social legislation, promulgated during the Donoughmore period (1931–47), relating to child and family welfare, poverty alleviation, social security, education and health bears witness to the ways in which these ideological influences of visionary idealism of social justice and equality, influenced social and political development in the pre-independence period. In fact, much of the current social legislation is still based on these original formulations, most of which originated in the 1940s, and needs to be understood in the context of the evolution of welfarism and the welfare state in Sri Lanka (Warnapala 1987).

Foremost among the legislation introduced were several labour and welfare Ordinances enacted to safeguard the commercial interests of the expanding plantation economy promoted by the British colonial government in the latter half of the 19th century.[2] The colonial economy which evolved in the 19th century was based on agricultural commodities such as coffee, tea, rubber and coconut and resulted in major changes in the economic and social structure of the country. Following the coffee blight of the 1890s, tea and rubber remained the mainstay of the export economy and also for much of the post-independence period well into the 1960s (Snodgrass 1966). The welfare initiatives of this period, such as those relating to labour welfare, were governed by the need of the state to bear a part of the reproduction costs of labour in the highly profitable plantation sector, especially in the tea plantations (Jayawardena 1972; Tinker 1974). The special treatment afforded to indentured Indian labour—all migrant workers recruited from South India—for work in the plantation sector was largely responsible for 'government intervention in industrial relations in Ceylon' (Kearney 1971), which led to the enactment of minimum wage legislation for Indian estate labour in 1927.[3] In fact, the growth of local trade unionism among the urban working class and the emergence of the labour movement may have been an unintended outcome of colonial policy relating to labour welfare; this was to be particularly important in the political development of the country. But, it was not until the early 1930s that organised labour through its association with Left parties began to make any direct impact on social and economic policy developments (Kearney 1971; Jayawardena 1972).

The semi-autonomous governments (1931–1948) under the Donoughmore Constitution of 1931, which were responsible for the grant of universal franchise, have been aptly characterised as a period of power without financial control. As foreshadowed by the Donoughmore Commissioners,[4] the structure of the government under the new Constitution enabled the passage of much social legislation without any acknowledgement of how this package of social legislation was to be implemented in terms of social welfare programmes and services. The elected legislators were enthusiastic in recommending various economic and social measures for which they had no financial responsibility. These measures embodied in social legislation, once placed on the statute book, acquired a momentum of their own and led to further electoral pressures. This marked the beginnings of 'welfare politics' (see Jayasuriya 1995), and its subsequent linkage with electoral politics, which was to remain the legacy of this period of colonial rule for most of the post-independence period of Sri Lanka.

In the Donoughmore period the impulse towards social welfare manifested itself in two conspicuous directions viz: education and health; and to a lesser extent, in relation to public utilities (e.g., electricity and transport), and public welfare (e.g., social security and food subsidy) (Wickremaratne 1973). These developments, especially in the field of health care, acquired added significance by the need to mitigate the disastrous social effects of the Great Depression of the 1930s, which were compounded by the severe drought in the mid 1930s and the malaria epidemic. The response of successive Donoughmore governments to these adverse social and economic circumstances was contained in a number of official Reports, viz. the Newnham Report (1936) and the Wedderburn Report (1934) modelled on the UK Royal Commission style of inquiry as well as being influenced by Fabian models of social administration. These two Reports are significant for social policy development because they represent the first systematic attempt in Sri Lanka to quantify the problems of poverty and unemployment and prescribe remedial measures. The Wedderburn Report, in particular, laid the groundwork for a system of welfare relief characteristic of the British Poor Law of the 1920s and was responsible for the introduction of the Poor Law Ordinance of 1939. This poor law orientation to poverty alleviation by providing social assistance and relief for the needy and destitute continues to dominate welfare policies to the present day. In another important Government Report, the Corea Report (1937), the problems of unemployment were subject to further scrutiny and transitional measures were recommended to deal with social distress created by the breakdown of family based support systems. These policy responses to poverty tended to regard social distress as an individual problem remediable by the allocation of social assistance.

Social assistance schemes based on the Poor Law 'principle of less eligibility' exemplify a selectivist approach to poverty alleviation (i.e., as a safety net for those most in need) which has influenced the manner in which welfare and income maintenance has been handled by nearly all governments in the post-independence period. This approach is still evident even in the more sophisticated policy responses of the post 1977 period, and, as Midgley observes, these schemes[5] are:

> descended from poor law principles in European states' have been established in a number of developing countries ... [and] are a startling example of the maintenance of colonial welfare policies in the post colonial Third World (1984, 3).

Social welfare policies by 1947, though accorded low priority during the war period (1939–45), except for the decision to provide a food subsidy for the whole country, were responsible for the expenditure of just over 50% of total government revenue. Rice and flour were rationed during the war period and sold at controlled prices to stabilise the cost of living. The food subsidy which originated as an emergency wartime measure of public welfare, was destined later to become an institutionalised welfare measure of considerable social, economic and political importance. The food subsidy which as a wartime welfare measure led to the formation of the universalist character of Sri Lankan social policies reflects the rationale and philosophy underlying the expansion of welfare services in wartime Britain, namely, the need to make these policies 'free of social discrimination and the indignities of the poor law' (Titmus 1950, 506), and to share social risk more broadly. The universalist character of Sri Lankan social policies was shaped by the universalist policies adopted in Britain in relation to health, education and income maintenance policies.

In Sri Lanka, the food subsidy, the single most important item of social expenditure in the Sri Lankan welfare state, varying between 4% and 5% of GNP during the period 1970–81, which came to be regarded as the principal anti-poverty measure of all post independence governments until 1977, acquiring a special status in the whole scheme of welfare. For one thing, the food subsidy established the principle of material benefits, i.e., the provision of goods and services as the preferred policy strategy for achieving social goals of welfare such as income maintenance until it was radically changed with the resort to cash benefits or their equivalents such as food stamps in the post 1977 period. As we shall see later, this represented a sharp break with historical practices of Sri Lankan welfare policy and introduced a new welfare regime based on a selectivist policy and the targeting of welfare for those most in need.

The Evolution of the Sri Lankan Welfare State (1948–94)

Three Pillars of the Welfare State

It is generally accepted that the essence of the 'welfare state, as it has evolved in the industrial societies of the West, consists in 'government protected minimum standards of income, nutrition, health and safety, education and housing are assured to every citizen as a social right' (Wilensky et al. 1985, 1). The core programs and services of the welfare state differ from country to country, and in the case of Sri Lanka, it is clear that the 'welfare state', as a co-ordinated institutional system emerged only in the 1960s and 1970s under several social reform oriented coalition governments of the period.[6] There is no doubt that the roots of the Sri Lankan welfare state dates back to the welfare initiatives of the pre-independence period (1931–47) and, the foundations of the Sri Lankan welfare state, comparable to the 'three pillars of the British welfare state' (Marshall 1973),[7] may also be said to exist in three major social documents and Acts, relating to education, health and social services.

In this sense, the 'three pillars of the Sri Lankan welfare state', exemplifying collective action for social welfare, are represented by the *Education Act of 1945* (Kannangara Report 1943); the establishment of the *Department of Social Services*, 1948 (Jennings Report 1943); and the *Health Act of 1953* (Cumpston Report 1950). The implementation of these Reports in public policy terms established firmly the principle of collective provision for common human and social needs through state intervention. The importance attached to social welfare initiatives arising from these Reports in the early days of independence is revealed by the fact that during the first two decades of independence (1948–68) the public expenditure on education, health, transport and food subsidisation and public welfare assistance amounted to approximately 40% of total public expenditure or 10-12% of Gross Domestic Product (GDP) (see Jayasuriya et al. 1985; also Marga 1974).

First and foremost, the Kannangara Report (1943) adopted a bold and radical approach to social policy by recommending a system of *universal* and *compulsory* free education from the Kindergarten to the University. This laid the foundations of Sri Lankan welfarism firmly in state based universalistic social policies, which remained a notable feature of the Sri Lankan welfare system until the radical policy shifts of the post 1977 era. The introduction of free education was not only the basis of the welfare state; by providing a degree of social mobility, it also ranks as the single most important determinant of the social and political transformation of Sri Lankan society. This unique and memorable Report, now lost in the dim mist of social history, outlined what the erudite Left wing politician, Dr N.M. Perera, in defending the proposal for free

education from the kindergarten to the University, described as 'amazing ... revolutionary objectives' (Perera 1944). The Report, Dr Perera points out, state that among the objectives sought by this far reaching proposal were:

> the prevention of unemployment, the raising of the standard of living of the masses, increased production, a more equitable system of distribution, social security of co-operative enterprise, etc. But none of these things can be fully realised without mass education we are of the opinion that free education must come first foremost (Perera 1944, 5).

The national system of education that evolved in the 1960s stems directly from the Kannangara Report (1943), which is undoubtedly the main pillar of the Sri Lankan welfare state. Other educational reforms, all of which relate to the establishment of a national system of education, such as changes to the medium of instruction in education from English into Sinhalese and Tamil, establishment of state run Central schools in all provincial towns, the take-over by the State of denominational schools, and the expansion of higher education,[8] were a direct and inevitable consequence of the social and political pressures arising in particular from the introduction of universal and compulsory free education (Jayasuriya 1969).

The language policies of the post-1956 era are also clearly linked with the political pressures arising from earlier educational reforms; but whatever their later consequences, these policies were politically and electorally a predictable outcome of the earlier far reaching educational reforms. However, it is questionable whether the goal of equal educational opportunity—in terms of guaranteed access to education as a public good equally available to *all* citizens—was achieved. There is a great deal of evidence (e.g., Jayaweera 1977a; 1977b) to show that the egalitarian objectives of these social policies in terms of distributive justice outcomes were only partially achieved.[9] These policies were also highly significant because of the mobility created by these policies for significant social groups to move into occupational areas previously monopolised by landed upper classes. Following the introduction of the new economic policies of the post 1977 period, the social justice rationale of these policies as regards distributive justice and mobility has become more and more problematic (UNICEF 1985).

The Jennings Report (1947) on Social Services, unlike the Kannangara Report (1943) was essentially an academic exercise in social analysis, planning, and reporting, which did not get translated into identifiable social goals to be pursued by selected programs and services.[10] Its main architect, Sir Ivor Jennings—a leading constitutional theorist, and later Vice Chancellor of the University of Ceylon and Cambridge University—was greatly influenced by the Beveridge Report and British thinking about social welfare.[11] The Jennings Report examined the questions of social policy relating to social security, especially unemployment, financial distress, old age

and disability and destitution, and endeavoured to formulate its policy responses to these issue in the context of the Sri Lankan economy. The main recommendations of the report centre around the adoption of several social insurance schemes (e.g., health and unemployment and a national provident fund), all of which were to operate as contributory schemes based on employer and employees contributions, again, an idea borrowed from Beveridge and the UK. But, Jennings warned that the income maintenance programmes recommended in the Report were costly and suggested that their implementation should be delayed. These insurance schemes were targeted mainly on the wage earning sector, i.e., urban middle class (approximately 6% of the population) and working class, and as a result, they had little relevance for the vast majority of the people, i.e., those living in rural areas.

In retrospect, it is clear that the Jennings Report was a conservative social document which in many ways hindered the subsequent implementation of social security programs in Sri Lanka, and was responsible for the failure of the Sri Lankan welfare state to become a guarantor against social risks such as those arising from unemployment, sickness, disability, and old age. In brief, what evolved later, following social policies evolved under successive Centre Left coalition governments of the late 1960s and 1970s, was a highly limited scheme of social security based on employer-employee contributions targeted solely on the wage earning public sector.

The main beneficiaries of the limited social security that prevailed in Sri Lanka, particularly through the Employees Provident Fund (EPF) established in 1958 and covering all private and public firms, were the urban working class and public employees. Pension provisions exist only for the organised public sector employees.[12] In addition to the EPF, the wage earning working class, also benefited from labour welfare measures such as industrial safety and hygiene, workers' compensation, retirement gratuities and death donation schemes (see Jayasuriya et al. 1985). However, as regards the poor (urban and rural), social security and income maintenance was to be achieved mainly through a more equitable distribution of income and other resources as well as the income support gained from the food subsidy. The food subsidy, costing the government nearly 20% of all public expenditure or 5% of GNP, should therefore be rightly regarded as a significant income supplement. There were also several forms of social assistance and relief programmes such as drought and flood relief for those in rural areas and for the poor and needy.

The third pillar of the Sri Lankan welfare state relates to the health services. Here, the key document is the Cumpston Report (1950), which led to the *Health Services Act* of 1952. Dr J.H.L. Cumpston, the architect of the Report, was a distinguished Australian public servant who as Director General of Health Services in Australia (1921–45), was responsible for the creation

of the Commonwealth Department of Health, Australia. In Australia, Cumpston was 'a central figure in the development of collective responsibility for health care on a national basis' (Thome 1974, 348), i.e., the belief that health services should be readily available to all people. Although this Report was not as significant for the reform of the health services as the Kannangara Report was for educational development, it was, nevertheless, highly influential in the formulation of key social policy decisions relating to health care, especially in the allocation of resources and the organisation of the delivery of health care services. Admittedly, the basic policy framework for health care was already well established as a result of the progressive introduction of Western medical services through a wide network of free medical institutions, including manpower for the health sector. For example, the formal training of doctors had started in 1870, of nurses in 1878, and the first health unit was established in 1926[13] (see Uragoda 1987; Gunatilleke 1985; Carpenter 1988). This should however, be qualified by recognising that Western medicine existed alongside a well developed system of indigenous medicine (Ayurveda and Unani) which served, in particular, the medical needs of large sections of the rural population. This was especially significant in the treatment of mental illness where 'traditional practices are more widely accepted' (Carpenter 1988,71). In fact, the attempt to integrate these two systems of medicine was a welfare initiative of the Centre Left reformist governments of the post-1956 era (Simeonov 1975).

The major achievements of the Cumpston Report were threefold: the abolition of private practice for doctors in the state sector; enabling the development concurrently of preventive and curative services; and, setting out the rationale for an equitable universal health service as a matter of right. The most significant recommendation of the Cumpston Report was the abolition of private practice for doctors in the public sector. Cumpston was emphatic on the need to abolish private practice and argued that:

> Upon no principle of which I am aware can the government justify the expenditure of public funds to provide a subsidy to a select group of doctors so that they can provide a private medical service to that exclusive group in a position to pay (sometimes large) fees (Cumpston Report 1950, 9).

This policy recommendation, fully implemented in 1972 (the 'Channelled Consultation' scheme of 1964 for specialist doctors in public service was only an intermediate step) was regarded as being central to the establishment of a state-funded system of national health care based on principles of equity and justice.

The Social Services, Housing and Public Utilities

Besides the social programmes and services arising from these three Reports, the other important aspects of the Sri Lankan Welfare State relate to: *Housing*, *Public Utilities* (e.g., transport, water, posts and telecommunications, and electricity), and the *Personal Social Services* catering to the needs of disadvantaged and vulnerable groups (e.g., aged, disabled, handicapped children and youth, needy families, sick and injured). The latter are 'personal' in the sense that these services tend to be individualised and involve a relationship between the provider and the beneficiary of the service. These services are recognised as a disparate category with amorphous boundaries and variously classified as care services, treatment programs or information services (see Rein 1970).

The housing sector was relatively neglected in the early days of the Sri Lankan Welfare State and confined to the regulation of the rental markets (e.g., Rent Restriction Ordinance of 1942, and the Rent Act of 1948 which went through several amendments before radical changes were introduced by the 1972 Act to limit landlordism). There were also minor benefits through taxation and government assistance, all of which were confined to urban housing, mainly for middle and lower-middle income earners (Marga Institute 1986). The ceiling on residential ownership introduced in 1973 was perhaps the most significant housing policy measure before this sector was drawn more directly into the orbit of social welfare as a result of significant policy developments in the post 1977 period.[14]

The public utilities (water, transport, electricity, sewerage, etc.) were by nature universal and not limited by economic status.[15] Welfare analysts in advanced industrial societies tend to regard this sector differently, and consider the users of these services as consumers rather than as welfare beneficiaries. However, in the context of a developing country, services associated with public utilities have a redistributive impact and are entitled to be regarded as belonging to a package of universalisitc welfare services. Though in reality transport was an aspect of economic policy, it contained important social welfare policy overtones such as improved access to other welfare services. With the nationalisation of road passenger services and port of Colombo, transport formed part of the package of the social and economic reforms initiated by the reform oriented coalition government of 1956.

The personal social services however, remain the most neglected area of the Sri Lankan Welfare State (Jayasuriya et al. 1985). As in most other developing countries, these services, despite the strong commitment to social welfare in Sri Lanka, are catered primarily by the informal system of family networks, subject to supplementation by acts of private charity and the voluntary effort of

non-government organisations (NGOs). There are very few instances of 'free standing services' for special groups—such as the disabled, children, youth, or the aged—in need of rehabilitation, care and probation. The important role played by NGOs in relation to services for the physically disabled, the blind, deaf, and intellectually retarded, was recognised by the establishment of a Central Advisory Council on Social Services in 1946.[16] More recently, legislative provision was made in 1980 to ensure the accountability of NGOs, including those personal social services, by requiring the registration of NGOs seeking access to public funds, or those channelled through foreign aid or international agencies.

Despite the active role played by the social service movement, which was closely linked with the nationalist movement (see Jayawardena 1972) of the early part of this century, in promoting social reforms, in more recent times voluntary organisations have rarely taken an advocacy role on behalf of disadvantaged and powerless groups. By and large, they have been reluctant to act counter to the self interests of the membership of these organisations drawn largely from the affluent middle class and religious bodies. A notable example of this is found in the complacent attitude of Sri Lankan middle classes to child labour, child cruelty and child domestic servants. No significant inroads have been made into this problem despite the social legislation designed to regulate these social practices and the good intentions and generosity of voluntary workers. Regrettably, private charity often tended to legitimise social practices such as child labour (Jayasuriyia 1968). This incidentally stands in sharp contrast to the campaign against unfair labour laws waged by the Social Service League in 1915.

During the early days of welfarism, public welfare was conceived as a form of social care performed by two main government departments, viz., (a) *the Department of Social Services*, established in 1948, following its recommendation by the Jennings Report (1947); and, (b) the *Department of Probation and Child Care*, established in 1959, following the Hamlin Report (1957) on Children's Services. Because the recipients of services offered by government departments tend to be devalued and stigmatised these public agencies failed to function as professional social welfare agencies staffed by qualified staff (e.g., social workers) and catering to specific client needs. For most of the recent past, forms of organised public welfare services remained minimal and functioned as non professional regulatory agencies and organisations rather than engaging in service delivery.

One of the main functions of the Department of Social Services was to provide for the national administration of schemes relating to the Poor Law Ordinance of 1939, social security schemes, and a range of personal social services (e.g., services for the aged and infirmed, disabled and handicapped). The Department, in managing the implementation of social assistance schemes,

was responsible for making relief payments for designated groups (e.g., those suffering with tuberculosis and leprosy, widows aged, and disaster relief). Since 1984, it also has been given responsibility for the administration of the Workmen's Compensations Scheme. The main responsibility for the provision of welfare services for children and young people was vested in the Department of Probation and Child Care—another social policy initiative of the 1956 social reformist era. This departure was mainly concerned with the treatment and rehabilitative functions arising from the administration of the juvenile justice schemes, especially the Children and Young Persons Act and the Vagrants Ordinance, the Orphanages Ordinance (1941) and the Adoption Ordinance (1941).[17] Since 1975, this Department has also taken over from the Department of Social Services responsibility for supervising pre-school services (e.g., crèches and early childhood education programmes in the urban and rural sectors).

The personal social services of the Sri Lankan Welfare State are, by and large, a patchwork of remedial services organised and maintained by the voluntary sector with some limited state assistance. The organised public welfare services providing for the problems of individuals in categories of special need resulting from such factors as incapacity due to illness, injury, disability or old age, are very limited and, where available, many of these are located in the capital city of Colombo or one or two large urban centres like Galle and Kandy. Here again, we note the urban bias of the welfare system in that the needs of the non wage earning sector, the predominantly rural population, which constitute the bulk of the population are totally neglected by the formal and informal welfare sectors. The role of the state in relation to the personal social services has been that of a reluctant caretaker exercising regulation and control over others providing care and services and in assisting with emergency care and assistance.

The adverse effects of these policies on the rural population were to some extent compensated by the package of rural policies introduced in the post 1956 era, such as liberal credit facilities, land reform and rural amenities, including housing, all of which were beneficial to sections of the rural peasantry (Marga 1974; Richards & Gooneratne 1980; Jayasuriya 1981; Moore 1985). These policies, introduced by the Centre Left coalition governments of the 1960s and 1970s, in addition to their economic rationale and consequences, helped to consolidate the Sri Lankan Welfare State within an institutional framework of a package of economic and social policies targeted regionally and sectorally.

However, the main beneficiaries of these rural policies were 'the new wealthy groups in village organisations [who were able to] deploy capital more effectively than others to maximise returns in agricultural operations ... [and exert] influence on the performance of all village level organisation' (ARTI 1975). Importantly, these rural policies which had both economic and

welfare components were also important for the predominantly rural population of the Jaffna peninsula, who were greatly dependent on the production of 'minor food crops, including bananas, tobacco, vegetables, potatoes, onions, chillies and fruit' (Moore 1985, 108). The predominantly rural Jaffna Tamils who were disadvantaged by the educational reforms in the post-1956 era (not just language policies but also others such as district quota admissions to universities, standardisation of marks, etc.) welcomed these rural policies as they offered some monetary compensation for the economic losses they suffered by becoming less competitive in the labour market, especially in the professions and the public sector. This was particularly significant because, as Tambiah points out, the representation of the Tamils had 'always been proportionately higher than their demographic size' (1986, 78) in the public sector which they had come to regard as the main source of employment for Tamil youth.

Moore (1985) underscores this by arguing that 'it is the Jaffna Tamils who have borne the material brunt [of] the "Sinhalisation" of the state in both symbolic and material terms' (1985, 196). The economic benefits derived by the Tamil people from the rural social policies introduced in the 1960s were dramatically withdrawn when all import controls were removed as a result of the economic liberalisation policies introduced in 1977, which included the removal of agricultural subsidies. Thus, with the fall in the price of minor food crops, agricultural production in the Jaffna district fell sharply and caused extreme hardship (Moore 1985). This, therefore, suggests that in part, the ethnic accommodation of the immediate post independence period was to a large extent held together by the operation of the Sri Lankan welfare state.

In summary, we note that the conventional model of the Sri Lankan Welfare state, based on the foundations of the welfarism that emerged in the pre and post independence period (1932--56), were consolidated only in the post 1956 period by several Centre Left governments (1956-60 and 1960-65) (see Government of Ceylon 1963). The Sri Lankan welfare state which emerged in the 1960s as a result of the reformist policies of the post 1956 period was characterised by the following distinctive features:

a) universalisitc social policies in the field of health, education, subsidised food as an income supplement, and the public utilities, including transport;

b) an income redistributive rationale for a high percentage of social expenditure (Jayasuriya et al. 1985) relative to GNP (approximately 10-12% of GNP);

c) absence of schemes of institutionalised social security and income maintenance;

d) poorly developed selectivist 'personal social services' heavily reliant on private charity, benevolence and non professional human services;

e) a pronounced urban bias in the delivery of most welfare services and benefits; and,

f) a package of compensatory rural policies

The Crisis of the Welfare State (1970–94)

In many respects the Sri Lankan Welfare State, both economically and politically, was an outgrowth of the colonial political economy of Sri Lanka. Economically the prosperous plantation sector provided the resources for the financing of the growing array of welfare services. Politically, the introduction of universal franchise and a competitive electoral system in the 1930s laid the political foundation for the compensation of the mobilised urban working class and the non plantation rural sectors by the influential middle class elite (Marga 1974). This historical pattern of social welfare which prevailed well into the early 1970s was based on the redistribution of the financial surplus appropriated from capital and labour in the plantation sector.

This economic ethos of the post independence period began to change during the 1970s due to the intractable economic problems facing Sri Lanka, especially galloping inflation, high unemployment and a stagnant economy (see Gunatilleke 1993). The growth of the economy had slowed dramatically (from 2.7% in 1973–75 as against 4.8% 1965–69) and a current account deficit running at nearly 4% of Gross Domestic Product (GDP). Interestingly, these characteristics—e.g., stagflation, large scale unemployment, fiscal crisis of the state, and breakdown of Keynesian forms of intervention—were also features of the 'crisis of the welfare state' in advanced industrialised countries (Mishra 1984; Offe 1984). As one writer put it, when foreign exchange reserves were depleted in the 1970s and the terms of trade turned against Sri Lanka. 'the fiscal burdens of a humane pattern of development came home to roost' (Herring 1980).

Although the gravity of the crisis of welfarism in Sri Lanka became apparent only after the introduction of the new policies of economic liberalisation in 1977, it was clearly evident when, in order to reduce fiscal deficits, social expenditure began to be curtailed between 1971–77 (Jiggins 1976). Thus, for example, in 1972 the food subsidy was means tested for the first time and the free rice ration was withdrawn from income taxpayers and dependants (approximately 10% of the population). Ironically, these measures, resulting in the reduction of food subsidy and severe cuts in welfare expenditure, were introduced by a Centre Left government which included left wing ministers who had themselves played a key role in the consolidation of the welfare state in the 1960s.

However, the neo liberal conservative United National Party (UNP) government of 1977 seized upon the economic crisis to dismantle the welfare state and introduce a new economic regime based on economic liberalisation and an export led open economy. Although the argument that the

growth debacle of the 1970s cannot be attributed to welfarism is highly contested (see Osmani 1993), it helps to generate the new economic policies leading to a dramatic shift in the philosophy and direction of welfare policies (Kelegama 1992; Gunatilleke 1993), especially by introducing a selectivist, targeted approach to welfare. These policies also importantly encouraged the commodification of the social 'goods' in relation to public utilities, social welfare, health care and education. Welfare expenditure as a percentage of total government expenditure fell from an average of 40% (10% of GNP) in the 1970–77 period to 11% (4% of GNP) in 1981. Most of this reduction is represented by the almost complete withdrawal of the food subsidy which was approximately 16% of total expenditure to 1% in 1981 (see Jayasuriya et al. 1985). This was also associated with a reduction of consumer subsidies on sugar, flour and petroleum products. Initially in 1978, the limited eligibility scheme reduced the beneficiaries of the food subsidy scheme by 50%, but this was subsequently further curtailed by a fixed value food stamp scheme introduced in 1979. This further strengthened the residualist approach to public welfare, i.e., as a safety net for the needy. In short, the crisis of the welfare state can be traced to the decline in the growth strategies that underpinned the economy in the post independence period (Jiggins 1976).

While the social policies introduced by the new policy regime of 1977[18] indicate an abandonment of an ideological commitment to welfarism and a move towards the gradual dismantling of the welfare state, there is no question that the economic crisis was regarded as being responsible for the drastic curtailment of welfare expenditure. But the real motive force for these new policies was the new ethos of laissez-faire growth, inspired by the ideology of economic rationalism, and the practice of the free market economy to maximise investment—the main means of income and employment generation—decreed by the international aid agencies such as the World Bank and IMF (see Lakshman 1986; 1989). The overall strategy adopted altered the policy mix of welfare and growth in favour of the growth and market oriented safety nets in accordance with the Structural Adjustment Programmes (SAP) of funding agencies such as the World Bank, all of which required significant reductions in public expenditure on social welfare by encouraging private capital to deliver social services (e.g., in education and health) and the adoption of residual welfare programmes such as the food stamp scheme. Thus, instead of public provision of services, the intention of the new policy ethos was to use the market as a mechanism for distributing services. In other words, the objective was privatisation.

The increased privatisation of welfare was most evident in the public utilities, particularly transport and the health care field. In the service sector (public transport) from 1978 onwards private sector competition was encouraged alongside state run road passenger services and this was subsequently followed by total deregulation and privatisation in 1990-91. The health care

services witnessed partial privatisation with the expansion of private medical services, the growth of private medical practice for government doctors and the deregulation of the pharmaceutical industry (for the latter see Wijesinghe 1991). Likewise, in general education (see Government of Sri Lanka 1981) as well as higher education the public-private mix became diluted in favour of the private sector. The encouragement given to the establishment of a private medical school was perhaps the most visible example of this move towards privatisation of education and more generally of the social services (Rupasinghe 1985).

The food stamp scheme, which replaced the food subsidy, encouraged individuals with direct subsidies individuals to use market mechanisms to meet their food needs. The new policy strategy was a 'form of cash transfer to low income groups' (Ministry of Plan Implementation 1981, 3), and served as a model policy instrument which encouraged the use of 'cash benefits' in the form of vouchers or stamps as a means of targeting resources on designated groups such as those considered to be below a designated income level (the poverty yardstick). Although surprisingly, in determining eligibility (i.e., income less than Rs 300 per month per household) by 1981, over half the population was estimated to be below this poverty line. One of the major shortcoming of the food stamp scheme was its adverse nutritional implications (see Sahn 1987; 1988) because the real value of the food stamps was drastically reduced by galloping inflation during the period 1978--88. It has been estimated that approximately 5-10% of children below 5 years suffer from acute malnutrition (Gunatilleke 1982; Jayasuriya et al. 1985), and this in turn has been linked with a high child mortality rate (45 deaths per 1000 children under 1 year of age).

The residual/selectivist policy strategy of food stamps was subsequently expanded in 1989 to include a more broad based welfare programme known as the 'Janasaviya Scheme'. This was largely because of the failure of 'trickle down' as a means of poverty alleviation. This new programme, including a skills development plan, increased welfare expenditure—contrary to SAP criteria—was intended to enhance the quality of life of the poor by the grant of financial assistance. For this purpose, those selected under this programme were provided family allowances of Rs 2,500 per month to each family as a self-help economic measure intended to provide material incentives for personal betterment through income generating activities. The self-help element in this programme of micro enterprise development was consistent with the entrepreneurial ideology of a liberal market economy. In fact, the programme provided, albeit highly limited, access to the market rather than mobility through education and enhanced employment opportunities that was the distinguishing feature of the early welfare programmes.

Although the targeting objective of the Janasaviya Scheme was a fiscal measure designed 'to ensure the greatest *economy of resources* by *withholding* public support for less vulnerable

groups' (Dreze & Sen 1989, 105), there is, however, little evidence that the intention of targeting was 'to provide redistribution by concentrating public support exclusively on' (p. 105) the most disadvantaged groups. This new philosophy of welfare, including its strong entrepreneurial self-help rationale, was clearly non redistributive. But it was somewhat ironic in that the main advocate of this new philosophy was none other than Mr J.R. Jayawardene, the leader of the new regime, who as first Minister of Finance in 1948 in independent Sri Lanka, justified expenditure of nearly 10% of GNP on social services in 1948 by stating that welfare was not a means of creating wealth but a question of redistributing it from the haves to the have nots!

In summary, the new approach to welfare during the post 1977 period was marked by:

a) a significant reduction of social expenditure, including food subsidy;
b) the gradual abandonment of investment in universalistic social policies and programmes; and the adoption of a selectivist residual strategy of welfare by targeting resources primarily on those in greatest need;
c) the departure from a redistributive justice strategy of income distribution;
d) the promotion of the privatised welfare, e.g., by the encouragement given to the delivery of social services on a commercial basis; and,
e) an increased emphasis on modernising the rural sector through social programmes such as rural housing and electrification.

The Balance Sheet on Welfarism in Sri Lanka

A proper assessment of the welfare policies and practices of the past four decades, should, as we have argued, be undertaken within a historical perspective. In looking at the Sri Lankan state experience, the first question that arises is: why did Sri Lanka pursue the course it did in developing a welfare state?. Was it politically motivated, a planned process, incremental policy of social reform, an ideological commitment to socialism, or simply a result of the diffusion of ideas, the contagious demonstration effect of the British welfare state philosophy and liberal [social] political philosophy? Whatever the answers to these questions, it could be argued that the Sri Lankan welfare state, as it emerged in the late 1950s and 1960s, was an outcome of three major factors:

a) the grant of universal franchise and the political mobilisation of significant groups in a competitive electoral system;
b) the favourable economic conditions that created a significant surplus from the plantation sector, and,
c) the ideological influence of Centre Left parties[19] committed to centralised planing, state control and distributive justice.

The Sri Lankan Welfare State at its peak in the 1960s was clearly an adaptation of the Beveridge style of welfare state of the UK (Marshall 1975) practised in a developing country, within a social democratic political order committed to welfare as a means of achieving a measure of distributive justice, in particular, ameliorating poverty, and maintaining—if not enhancing—the productive capacity of the nation. As in other welfare states, one of the political purposes of the Sri Lankan Welfare State was that the social services (e.g., health, education and nutrition) constitute a 'residual function of government' (Rein 1970), i.e., it was a burden carried by the productive sector of society. Thus, there was a clear legitimising function to the welfare policies of the pre-1977 period., viz., the need to mitigate the adverse consequences of capitalist expansion in a dependent colonial economy. Stated differently in the wider context of Sri Lankan politics, the package of welfare policies may be seen as a means of compensating the urban and rural middle classes from the resources generated by the plantation sector. There is no doubt that welfare policies[20] also had other political objectives in Sri Lanka such as patronage disbursement in clientalist politics (Jayantha 1992) minimising the tensions created by slow growth, an expanding population and increasing poverty, as well as to gain electoral advantage by policies promoting a measure of greater equality and increased social mobility.

The evaluation of the Sri Lankan experiment on welfare has been confined largely to an aggregate analysis of the consequences of welfare policies on living standards and economic growth. These macro analyses pertaining to growth, welfare and living standards have been carried out mainly by international agencies such as the ILO, IMF, the World Bank and development economists . These theorists who have sought to examine, in terms of a range of welfare indicators pertaining to such aspects as health, education and fertility, the impact of Sri Lankan welfare policies on growth (Bhalla 1988; Isenman 1980; Sen 1981; Anand & Kanbur 1991). There is near unanimous agreement among these analysts that Sri Lanka offers a unique example of a country with a very low per capita income committed to interventionist policies, which has improved its living standards to an extent greater than those attained by comparable countries (Osmani 1993).

However, there is some disagreement as to whether the Sri Lankan case is exceptional, and more importantly, whether the commitment to welfare retarded growth (Kelegama 1987; Moore 1990; Osmani 1993). The disagreements on this issue (e.g., Sen 1981 vs Bhalla 1988) are partly due to differences in methodology adopted by analysts (Kelegama 1987); and, for this reason, Kelegama argues that Bhalla's analysis 'is defective ... from an econometric point of view' (1987, 3). Kelegama (1987) concludes by supporting Sen (1981) and Isenman (1980) that direct forms of welfare[21] have been singularly effective in improving living standards. This controversy highlights

the complexities of the broader issues relating to welfare and growth argument which are brought to the fore by the Sri Lankan experiment of growth with equity.

Osmani (1993), in a searching and definitive review of this controversy among development economists about the relation between welfare expenditure and growth (Bhalla & Glewwe 1987; Pyatt 1987; Isenman 1987; Bhalla 1988; Dreze & Sen 1989) demolishes, in a tightly argued essay, the various arguments used by the critics of Sri Lanka's welfare policies using aggregate data, who maintain that: a) a growth led strategy would have been more effective in improving living standards; and, b) welfare has retarded growth. Following a sustained and rigorous analysis, Osmani concludes that:

> the general lesson that one can draw from Sri Lanka's experience is that even a poor country can bring about rapid improvements in the living standards of its people by adopting a judiciously designed welfarist strategy and further that the pursuit of rapid gains in this manner need not involve a conflict with growth and hence need not entail a loss of welfare in the long term (1993, 142).

While agreeing with Osmani's (1993) impeccable analysis and conclusion that 'a truly impartial jury must return [a] verdict of not guilty' (1993, 35), on the question of whether welfare has hindered growth, in evaluating the Sri Lankan welfare experience, it is still important to ask who were the beneficiaries of these policies. It is clear from the available evidence based on disaggregated data that, despite a greater measure of equality in income distribution (see Central Bank of Ceylon 1973, 1983; Jayawardena 1974; Alailama 1978, 1984) and an improvement in overall living standards, achieved as a result of welfarism, there still remain glaring inequalities, some of which are a direct outcome of the manner in which welfare policies were implemented (e.g., regional inequalities). There is substantial research evidence to show that the beneficial effects of welfare have been unequally distributed among different segments of the Sri Lankan population (Alailama 1978; 1984). The poorest segments, especially the rural poor (Lee 1977), have seen little change in their overall status; and furthermore, Alailama (1984) has shown convincingly that existing inequalities did not decrease by the margins suggested by the data on income distribution. As Alailama observes:

> On balance, the poorest have not benefited as much as they should have because they did not have the purchasing power to obtain and retain a proportionate quality of these goods. Those who benefited most were the middle and upper income groups, particularly in the rural and estate sectors (1984, 24).

The above observations of Alailama are confirmed by the striking inequalities such as those relating to health status, malnutrition, and literacy which became evident when the data on income distribution are disaggregated by sectors and income groups (Central Bank of Ceylon 1978, 1984). On the basis of these findings, it has been suggested that the main beneficiaries of

welfarism in Sri Lanka have been the middle income segments which may be identified as the 'intermediate class'[22] (see Shastri 1983; Jayasuriya 1981). The notion of the *intermediate class* is based on Kalecki's (1972) conceptualisation of the intermediate regime, which emphasises the political dominance of an alliance of the lower middle class or petite bourgeoisie and richer peasants. This class fraction, in the Sri Lankan context is comprised of the urban middle class, made up mainly of professionals and public sector employees, the trading class and the rich peasants, who have benefited greatly from the compensatory package of rural policies. Interestingly, this consequence of welfarism is analogous to the middle class capture of the welfare state in Britain and Europe, and warrants closer scrutiny (Le Grand 1982).

The architect of economic liberalisation in the period 1977–94, and the dismantling of the welfare state, Mr J.R. Jayawardene, the first President of Sri Lanka, in one of his grand utterances decreed that his government was destined to 'let the robber barons in' - and so he did. In so doing, he and his government committed the country to full scale development with foreign aid and private capital. An inevitable policy consequence of this new approach to development was the denigration of public intervention committed to the pursuit of social goals, especially social welfare objectives (Moore 1990). As suggested earlier, there is sufficient evidence to show that this era of neo liberal IMF orthodoxy of laissez faire capitalism, despite accelerated economic growth and a fall in rates of unemployment, has been highly inegalitarian.

Dunham & Kelegama (1993), in a review of the economic and social impact of these policies in the period 1977–83, observe that by the middle of the 1980s there was a growing body of evidence to suggest that the country's growth rate was accompanied by a persistent level of high unemployment and deteriorating standards of living . They go on to add that:

> On the ... limited evidence available suggests that the benefits of reform were distributed unequally, heavily concentrated amongst the top 10% of all income receivers ... half a million out of a total employed population of about 5 million (UNCEF 1985; Jayawardena et al. 1987; Lakshman 1989). There was also evidence of a deterioration of real incomes of the poorest deciles, and of reduced caloric intakes significantly depressing nutritional levels (Jayawardena et al. 1987; Sahn 1987). More ruthless cuts in welfare expenditure would have had a high political cost (Dunham & Kelegama 1993, 13).

This is further confirmed by Cornia & Stewart (1988) who note that the adjustment policies associated with economic liberalisation

> have also been associated with declining real wages and rising malnutrition in rural areas. Some of the progress achieved in increasing participation in education in the 1970s seem to have been halted, and possibly reversed. In the health sector, there has been rising investment in new buildings and sophisticated equipment, but morale and possibly standards in basic health services have fallen with restricted recurrent expenditures and increasing private practice. In the 1950s and 1960s, Sri Lanka was spectacularly successful in meeting human needs. With very low per capita income, literacy was high, and life expectancy near developed country levels, This achievement is being undermined by the policy of changes of recent years (1988, 122)

This general conclusion is borne out by Lakshman (1986; 1989) who after a careful analysis of the relevant data observes that 'there is no doubt at all about growing relative inequality in society after 1977' (1986, 31). Similarly, Jayawardena et al. (1987) observe that the greater distributive equality, measured in terms of income distribution, achieved during the period 1953–73 was reversed during the period 1977–82. They also make the interesting observation that the deterioration of incomes was greatest in the case of the urban sector except for the high income earners in the urban sector, mainly the business class, who had benefited from the new economic policies of the 1977 regime. But, as Lakshman points out, 'no serious effort has so far been made to examine the question of who are the real beneficiaries of the existing aid regime' (1986, 34), i.e., after 1977. Clearly, the evidence pertaining to the overall balance sheet on the Sri Lankan Welfare State is still meagre and incomplete, and awaits a more rigorous definitive assessment, especially for the period 1977-94 which witnessed the gradual dismantling of the welfare state. More generally, the Sri Lankan experiment in welfare and growth has served to highlight some of the complex conceptual and methodological issues surrounding the examination of the relationship between economic growth and social development (Newman & Thomson 1989).

Reconstructing the Welfare State

Comparative Studies and the Search for a New Paradigm

The new Centre Left coalition government which came into being in 1994 brings together a wide range of political parties, all committed to a social democratic form of government, but more willing to embrace the core elements of the previous conservative regime, particularly economic policies of export led growth, public sector reform, privatisation, preference for market based competition over state based monopolies, and liberalisation (Jayasuriya 1995). Although the new government, with its election slogan of 'structural adjustment with a human face', appears to be committed to change the conservative welfare policies of the previous regime (1977–93), in its two budget statements (1994-95 and 1995-96) except for its *Samurdhi* programme,[23] there is little evidence a social policy strategy, especially on the future of the welfare state.

The failure of the new government to enumerate its social policy strategy is understandable given the priority assigned to resolving the ethnic conflict. No doubt, any rational policy framework for

welfare must await the outcome of nearly two decades of 'warfare' currently requiring an expenditure of approximately 5.5% of GDP (recurrent and current) on defence. Yet, there remains an implicit expectation, if not a commitment, that the new regime will undertake a restructuring of the welfare state in terms of its ideological commitment to the pursuit of the social goals of a social democratic government, such as distributive justice, greater equality and improved chances of mobility.

The restructuring of the welfare state should clearly be undertaken in the light of an analysis of a careful and rigorous earlier experience of welfare state policies in its early and latter phases. In this regard, it will be instructive for Sri Lankan policy analysts and decision makers to consider carefully the different models of welfarism that currently exist in the developed and developing countries. The British welfare state which served as a model for Sri Lanka represents just one type of 'welfare regime' (Esping-Anderson 1990), [24] but may no longer be attractive or relevant in the context of an expanding liberal economic system within a social democratic political order.

The growing literature on comparative social policy points to alternative policy frameworks and strategies evident in developed and developing societies (Wilensky & Lebaux 1965; Rimlinger 1971; Kahn & Kamerman 1980; McPherson & Midgley 1981; Midgley 1995). A critical review of this literature will generate a better understanding of the different ways in which social frameworks and strategies have evolved in different societies, and assist in fashioning policy strategies best suited for Sri Lanka in the context of its current development policies. Admittedly, these comparative studies have been mainly in advanced industrialised countries but with the increasing effects of globalisation, a larger global perspective to social policy is beginning to emerge, particularly through the work if international agencies such as the ILO, UNESCO, World Bank and the UNDP.[25]

One of the earliest comparative studies introduced the theory of convergence, viz., that economic growth makes countries more alike, in welfare terms, as a result of the need to construct a safety level below which no one sinks (Wilensky et al. 1965; Wilensky 1975). As Wilensky observes in relation to his data from 64 countries, 'economic level is the root cause of welfare state development' (1975, 47). While this association between levels of economic development and welfare spending has been a dominant theme, subsequent studies have shown that variations in political structure influence levels of spending. Other comparative studies have adopted a case study approach based on measurable indicators ('social indicators') of policy outcomes such as levels of poverty, literacy, fertility, income inequality, and health status (Rodgers 1977) to demonstrate positive outcomes of welfare spending.

In all these studies, it is the *comparative method* which has gained ascendancy because of its potential to generate rigorous explanation of regularities and variations in terms of a mix of input/output analysis of variables relating to welfare. Thus, for instance, studies carried out by Wilensky (1975) and Castles (1978) have endeavoured to explain difference in *welfare efforts* in terms of non-economic factors such as the role of ideology in welfare analysis which is measured in such terms as the nature of the political parties and the party system. One theme which runs throughout these studies is that the ideology of welfare state reflects the tension between meritocratic and egalitarian values (Castles 1978). For example, it is reported that there is a trade-off between investment in higher education and investment in social security spending such that welfare laggards like the USA tend to be leaders in education.

An interesting trend in the recent comparative literature has been the consideration given to the impact of particular policy instruments (e.g., contributory insurance, means testing, extent of coverage of benefits etc.) on welfare outcomes. Other theorists have attempted to link welfare with 'corporatism'[26] which refers to the existence of a strong partnership between employers, trade unions and governments along with consensual models of policy formation, often associated with increased welfare expenditure (Castles 1978; Wilensky 1981; Mishra 1984)). Accordingly, one study (Schimdt 1982) observed that strong corporatism is a sufficient but an unnecessary condition for low rates of unemployment and vice versa. Wilensky (1981), in fact, uses 'corporatism' to differentiate between three models of welfare states, viz. *democratic corporatism* (e.g, Scandinavian countries, Austria, Belgium); *corporatism without labour* (e.g., Japan, France and Switzerland); and, *least corporatist* (e.g., USA, UK and Canada).

All these studies, drawing heavily from the political science literature, have resulted in several new approaches to welfare analysis, all of which tend to locate social policies in the context of the relationship between political and economic development. From these studies which have considered the welfare state developments from a political economy point of view, it is possible to identify several alternative models of welfare systems, or 'welfare regimes' (Titmus 1973; Mishra 1987; Esping-Anderson 1990; Castles & Mitchell 1991).

Typology of Welfare Regimes

This taxonomic approach to social policy originating from the Titmus (1973) three fold typology of welfare systems—*residual*, *industrial-achievement*, and *institutional redistribution*—has led more recently to more sophisticated and complex taxonomies. These have been greatly influenced by the Scandinavian theorists (e.g., Korpi 1980; and Esping-Anderson 1990), interested in linking *welfare effort*, *welfare instruments* and *welfare outcomes*. These studies have examined the

impact of policy instruments (e.g., contributory insurance, operation of means tests, extent of coverage and degree of benefit equality), on a variety of social variables (economic and political), using different measures singly and/or jointly to characterise different welfare regimes. One of these measures relate to the redistributive potential of welfare policies, and the other, to the equality of status of recipients of welfare.

Taking redistributional outcomes as the key dependent variable and using a multiplicity of input variables such as different types of policy instruments, Esping-Anderson (1990) has constructed a typology of welfare states, which is illuminating and of heuristic value. In constructing this taxonomy, he uses two indices linked to welfare: an *index of de-commodification*;[27] and, a *measure of welfare based on social stratification* which 'denotes ways in which the welfare state serves to structure the quality of social citizenship' (Castles & Mitchell 1991) i.e., the nature and extent of social rights enjoyed by citizens. These indices yield the following types of welfare states:

Index of de-commodification.

> Welfare is rendered as a matter of right and one can get by without relying on the market. The extent of de-commodification is measured in terms of the level of benefits (low → medium → high). A *low* level of benefits is characterised by means testing, and residualist welfare; the *medium* level has contributory, earnings related schemes; and the *high* level is marked by universal benefits and a high degree of benefit equality.

Index of stratification linked to the welfare system.

> This index, pertaining to the nature of access to benefits and extent of benefit equality which is regulated by status of recipients (e.g., as the poor citizens or employees and yields a 3 fold typology of welfare systems: *Liberal*, *Conservative*, and *Socialist* welfare regimes
>
> a) *Liberal welfare*. This is characterised by selectivist residual welfare which is a targeted means tested welfare for the poor and limits the realm of social rights (e.g., welfare recipients have relative equality, market differentiated welfare among the majority stratification means tested poor relief, private pensions and private expenditure on health). This is typical of the USA Welfare System which relies on a high degree of private market supplementation for those not entitled to benefits.
>
> b) *Conservative welfare*. Here, the state upholds status differences by linking welfare benefits ('social rights') to compulsory membership in occupationally differentiated welfare schemes, e.g., of social insurance. Accordingly, welfare outcomes are limited by income maintenance benefits, other corporatist contributions and earning related characteristics. This type of welfare regime based on employee rights and benefit adequacy is characteristic of the European Welfare Systems.
>
> c) *Socialist (social democratic) welfare*. This form of welfare is organised around universal benefits, or citizens with social rights having equal benefits. Importantly, these systems with a high degree of benefit equality do not regard equality in terms of minimal needs and what is more, avoids the dualism of state and markets. This is characteristic of Scandinavian social democratic states, and also the UK to some extent, where redistribution and social solidarity are major objectives.

The Table below shows the resultant 3 models of welfare states ('welfare regimes') based on each type of index.

ESPING-ANDERSON'S WORLDS OF WELFARE CAPITALISM

De-commodification			Principles of Stratification		
Low	Medium	High	Liberal	Conservative	Socialist
Australia	Italy	Austria	Australia	Austria	Denmark
USA	Japan	Belgium	Canada	Belgium	Finland
NZ	France	Netherlands	Japan	France	Netherlands
Ireland	Finland	Norway	USA	Italy	Sweden
UK	Switzerland	Sweden			

Source: Castles & Mitchell (1990).

Admittedly, the models of welfare states examined in the comparative literature are drawn primarily from the advanced industrialised countries of the West. But, as Titmus (1973) reminded comparative analysts many years ago in a seminal paper 'some of the principles underlying [these] models can be found in different parts of the world...developing as well as developed countries' (1973, 4). The study of social policy in developing countries (e.g, McPherson & Midgley 1987; Midgley 1995) though growing rapidly is still at an early stage of development and divorced from the more sophisticated comparative studies based on Western industrialised societies.

Conclusion

The foregoing brief discussion of 'welfare regimes' in the developed countries of the West[28] serves to indicate possible new directions of police reform that may be gleaned from the

comparative social policy research literature. The input/output variables examined in comparative studies of welfare systems such as ideology, role of political parties and models of governance, as well as an examination of policy differences that exist between good/poor economic performances are critical to understanding the appropriateness of different policy strategies when they are applied in the context of developing or developed countries. As suggested previously, in fashioning new social policy strategies for Sri Lanka, the comparative social policy studies may provide some valuable leads not just in providing an assessment of Sri Lanka's welfare state experience, but also some guidelines for restructuring the welfare system consistent with the changes occurring in the economy. Indeed, as Wilensky et al. (1985) point out, 'only by comparison can we uncover the most and least effective mix of social and economic policies for democracies under pressure'.

The critical question facing policy makers of the present day is the functional integration of economic and social policies in the context of the new political climate that has emerged in Sri Lanka, in particular the decision of the new Centre Left coalition government not to make radical changes to the economic policies of the previous neo-liberal conservative governments (1977–94). However, the new government, in wanting to humanise capitalism, appears to recognise that social policies cannot be formulated without reference to economic policies for the simple reason that social policies are dependent on the economy for funding. Unlike the previous conservative regimes, the new government is committed not to entirely subordinate social policy to economic policy imperatives such as those of unrestricted capital growth and/or efficiency. Hence, the need for an integrated and co-ordinated approach to social policy requiring a need to prioritise social goals and determine appropriate resources, all of which presuppose a commitment to achieving some measure of equality and distributive justice.

It is unfortunate that having abandoned the Keynesian welfare state model of Britain, Sri Lanka appears to be in a policy vacuum for rethinking and remodelling the defunct welfare state. Too often the debate has been conducted in terms of the market or welfare rather than combining the two, as for example, in the form of the German model of the 'social market' (Emy 1993), 'social partnership' in Austria or the Scandinavian type 'welfare regimes' (Midgley 1995). Economic growth in relation to policies of stabilisation and adjustment, often determined by external agencies such as IMF/World Bank, requires the provision of adequate social infrastructure via the notion of the 'social market' rather than on huge reductions in social expenditure implied by the neo liberal IMF models of economic development. In short, Sri Lankan policy makers need to recognise that there are alternative models of policies and strategies for effectively linking welfare and the market, economically and socially.

From a policy strategy perspective, the institutional approach to social development outlined by Midgley (1995) offers several alternative mechanisms for pursuing a new model of welfare. According to Midgley, the institutional perspective, 'seeks to mobilize diverse social institutions including the market, community and state to promote people's welfare (1995, 139). , One attractive institutional mechanism is to link the market and welfare through the provision of corporatist type arrangements (Pekkarinen et al. 1992). These arrangements not only allow for a more effective management of wage demands, but provide a mechanism to trade off increases in social welfare against neo-liberal income policies which are determined by market forces. Furthermore, corporatist arrangements have the virtue of enabling more effective democratic participation for corporate groups such as labour, professionals, and business in the policy making process (Mishra 1987; Midgley 1995).

In this regard. Kelegama (1987) is one Sri Lankan social theorist who, in his analysis of growth and equity in Sri Lanka, has recognised the need for a new approach to policy analysis by arguing that welfare analysts should 'concentrate on understanding the functional roles of various policy instruments rather than on proposing blind imitation of the instruments themselves' (1987, 101). He adds that, in understanding the different ways of improving living standards, what is important is to recognise that 'the precise combination of instruments and policies varies tremendously with the conditions in different economies' (1987, 101) and one could add, with social and political systems. Similarly, Anand & Kanbur (1991), after reviewing Sri Lanka's record of intervention and achievement in welfare, conclude that:

> attention should now shift from the question of *whether* intervention can have a positive impact on basic needs to the more important question of the best patterns of combinations of social welfare expenditure to achieve the *maximum* impact on basic needs (1991, 90).

In the end, the achievement of meaningful and achievable social policies is a function of the political will and the planning skills of the political and bureaucratic elite. Sri Lanka should therefore endeavour, in the light of this analysis, to re-examine the philosophy and practice of its past endeavours as a welfare state, and develop a new policy rationale for a welfare state, including policy strategies and instruments for the achievement of identifiable welfare objectives such as distributive justice, social mobility, solidarity, equity and the amelioration of poverty.

Notes

1. On a comparison of HDI index and the income level index (i.e., per capita GNP ranking), Sri Lanka has a positive difference indicating that its quality of life (or living standards) is much greater than what one would expect in terms of its standing on income level. In fact, in 1991, Sri

Lanka stood out as one of the most outstanding countries, except China, by having one of the largest differences between the two indices (Osmani 1993). However, Sri Lanka has fallen somewhat in this regard in 1994.

2. The recent neglect of the estate sector represents a significant policy reversal. During the 1960s and 1970s this sector has suffered heavily on nearly all social indicators such as rates of morbidity, literacy rates and measures of life expectancy (see for example, Gnanamuttu 1977; Haputantri 1979 Central Bank of Ceylon 1983; and Gunatilleke 1985), but has improved recently (Moore 1990).

3. The Minimum Wage Ordinance of 1927 was itself based on the several Labour Ordinances enacted after 1872 and consolidated in Ordinance No. 9 of 1912. The 1927 legislation was also responsible for setting up of Wages Boards and imposing a mandatory obligation on plantation owners to provide subsidised rice to all Indian labour on plantations, the main beneficiaries of the 1927 legislation.

4. Kearney (1971) observes that the Donoughmore Commission in recommending the franchise reform cited the 'backward character of social and industrial legislation' as an indication of the need for a drastic widening of the franchise (p.4). Incidentally, the Secretary of State for the Colonies who approved the recommendations for franchise reform was none other than the prominent Fabian socialist leader, Sidney Webb, later Lord Passfield.

5. Social assistance as a form of social security is defined by the ILO as a 'service or scheme which provides benefits to persons of small means granted as of right in amounts sufficient to meet minimum standards of need and financed from taxation' (ILO 1942, 84).

6. See Government of Ceylon (1963) for a succinct account of the complex array of social and economic policies that constituted the Sri Lankan welfare state at its peak

7. Compare the British welfare state which according to T.H. Marshall (1975) is based on three pillars, viz., the *Education Act* (Butler), *National Insurance Act* (Bevan), and *National Health Act* (Bevan).

8. Approximately 5% of GNP is spent on education and this compares favourable with many advanced Western industrial countries.

9. A notable example is the plantation sector, consisting mainly of Indian Tamil labour has been denied the benefits of egalitarian educational policies, largely because of their anomalous citizenship status (Kodikara 1965).

10. *The Economy of Sri Lanka* by Sir Ivor Jennings (Jennings 1948), was in fact based mainly on the information collected by the author in the course of his work on the Social Services Report.

11. It is reported that Sir Ivor Jennings had discussions with Beveridge in the UK before finalising the Report

12. The Seers Report (1971) provides a concise outline of the social security provisions of the Sri Lankan Welfare State in the 1960s and 1970s. This Report also summarises the Draft Social Insurance Bill recommended by the Tiruchelvam Committee Report of 1969.

13. The standard history of medicine in Sri Lanka is Uragoda (1987). An informative history of mental health is provided by Carpenter (1988). A good review of health care policy is also found in WHO Report (Simeonov 1975).

14. See Special Report on Housing Development (Economic Review 1975).

15. Though this may well change with the move towards privatisation as in the case of energy.

16. One of the earliest surveys of the NGOs was carried out by Jayawardene (1964) at the request of the Central Council of Social Services. For a more recent survey see the Report of the Ministry of Planning and Implementation (1984).

17. Statutory provisions affecting the states and protection of children are embodied in over 50 statutes which provide for care and protection which include custodial care and forms of support

in cash and services. Schemes for the implementation of these statutory provisions are non existent or very limited.

18. Anand & Kanbur (1989) provide an excellent overview of the social policy changes made in the post 1977 period.

19. Moore (1985) rightly comments that the Left parties, as members of the reformist coalition government of the 1960s and 1970s, played a 'vanguard role' in the establishment and maintenance of the Sri Lankan welfare state.

20. See Supplement to the Budget Speech of 1963 (Government of Ceylon 1963).

21. Development economists use the terms *direct assistance* (welfare oriented) vs *indirect assistance* (growth oriented) to characterise the policy orientations of the pre and post 1977 welfare regimes respectively. The latter was advocated by the International Agencies in pursuing policies of structural adjustment policies of development.

22. In this context, the question arises as to whether the Sri Lankan welfare state of the pre-1977 period may be regarded as an 'intermediate regime' defined as the 'rule of the lower middle class through state capitalism' (Skouras 1978, 631).

23. The Samurdhi programme which is at best an adaptation of the earlier Janasaviya scheme making it less entrepreneurial and more equitable.

24. Warnapala (1991) has pointedly made reference to the way in which the British brand of social democracy, especially Fabian socialist ideas, influenced the thinking about the welfare state in Sri Lanka in the 1960s and 1970s.

25. See e.g., World Development Reports published by the World Bank, dealing with Human Development Policy and the Human Development Reports, also published by UNDP.

26. For a discussion of the meaning and history of corporatism see Halevi (1987) and Midgley (1995) for the use of corporatism in theorising about social development.

27. De-commodification occurs when service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market (Esping-Anderson 1990).

28. See Jayasuriya (1996) for a discussion of a policy rationale and strategies in relation to social policy developments in Sri Lanka in the foreseeable future.

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