The Impact of Globalisation on the Provision of Social Welfare

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Abstract
It has been argued that the problems associated with the contemporary Globalisation process in relation to Social Welfare provision since the second half of the 20th Century can be traced to its Neo-liberal ideological dominance since Neo-liberalism privileges market provision that has limited redistributive effect. Indeed, the application of Neo-liberal policy approaches to the development process was modified since the latter part of the 1990s due to the realisation that markets need states and states need markets, and unless Neo-liberalism is regulated and supported by public policy, it cannot make a desired impact on development. This paper explores the impact of Globalisation on Social Welfare provision globally. The paper benefits from an extensive literature review data was conducted for the Authors Doctoral Thesis from 2006 to 2010 (Achanso 2014). The analysis suggests that Globalisation has a long history and has been driven by different ideological underpinnings at various points in history with the contemporary Globalisation process being driven by the neo-liberal ideology, which has been blamed for the negative consequences of Globalisation on social welfare provision. The paper concludes that there is a need for mutual collaboration between global institutions or market forces and nation-states to limit the negative consequences of Globalisation on social welfare provision in order to ensure desirable development outcomes globally.

Keywords: Globalisation, Social Welfare, Neo-liberalism, IMF, World Bank, TNCs/MNCs

Introduction
This paper explores the impact of Globalisation on the provision of Social Welfare globally since the second half of the 20th Century. The analysis focuses on the activities of external financial institutions, such as the International Monetary Fund (IMF) and the World Bank, as well as the activities of Transnational or Multinational Corporations (TNCs/MNCs) and the way that such activities drive Globalisation and its consequence on Social Welfare provision globally. This is particularly so because some analysts have attributed the constraints placed on Social Welfare provision by Globalisation primarily to its neo-liberal ideological underpinning that is being mediated by the activities of these international institutions. The analysis involves the exploration of the meaning of the concept of Globalisation, its development over time, and how it affects Social Welfare provision.

The Concept of Globalisation
The term ‘Globalisation’ proliferates in both academic literature and in the wider political debate and yet its meaning and its impact are highly contested (Gordon and Mittelman 1996; Amin 1997; Sykes 2009). Gordon and Mittelman (1996), for instance, argue that the frequent usage of the term (Globalisation) obscures a lack of consensus regarding what it entails, explanations of how it operates and the direction in which it is heading. Similarly, Amin (1997) argues that the more one reads about Globalisation from its mounting literature, the less clear one becomes about what it means and what it implies. Yeates (2001), among others, has questioned whether Globalisation actually exists, let alone whether it is possible to analyse its impact: ‘Yet it could be argued that even to ask whether “globalisation” corresponds with a social reality, let alone analyse its implications for social policy, is to participate in sustaining a myth’ (Yeates 2001:1). Sykes (2009:489-490) sums up the difficulties in the ‘use (misuse)’ of Globalisation: the central point here is this: globalisation is both a contested concept and a contested reality. Not only are there disagreements about how globalisation should be understood, theorised and analysed, but there are also disagreements about what actually constitutes globalisation in economic and/or social and/or political senses.

For some analysts, one element which contributes to the complexity of the analysis of Globalisation can be attributed to the way that the concept cuts across various disciplines, including Political Science, Economics, Sociology, Geography, Business Administration, Managerial Economics, Urban Studies, Cultural and Media Studies, International Relations, Development Studies and Social Policy (Yeates 2001). As a result, analyses are often undertaken from the different perspectives of these separate disciplines, which adopt different approaches and intellectual traditions. These different perspectives might, therefore, have contributed to the different interpretations and understanding of the concept of Globalisation.

The analysis of Globalisation is also made more problematic because it is one of many concepts used to describe the global order since the second half of the 20th Century. Some of these descriptions include
transnationalisation, multinationalisation, internationalisation, universalisation, liberalisation, ‘triadisation’ (US, EU and Japan), westernisation, regionalisation and deterrioralisation (Scholte 2000; Yeates 2001). The difficulty is that it is often unclear whether these concepts are used as alternatives to Globalisation or as dimensions of it (Yeates 2001). Furthermore, the concept of Globalisation is often used both descriptively to indicate existing trends, processes and phenomena, and prescriptively to advocate how the world should be developing (Wilding 1997).

Another difficulty in the analysis of Globalisation relates to the empirical validity of the extent to which the world is indeed ‘globalised’ (Hirst and Thompson 1996). Most analyses are undertaken within the context of the developed world, and to some extent the newly industrialising countries of East and Southeast Asia, because the features or forces of Globalisation appear to be more pronounced there than in other regions, particularly in the developing world, such as Africa. Caution has, therefore, to be exercised in judging whether this analysis is generalisable across all economies regardless of their stage of development (Hirst and Thompson 1996). Of course, some countries in the developing world, most notably South Africa, Brazil and India, have been developing rapidly since the 1990s, so this argument may not hold in these parts of the developing world in contemporary times. Finally, it has been argued that the use of Globalisation as the sole explanation for global integration since the second half of the 20th Century has disregarded the impact of other important factors, such as demographic and social changes (George and Wilding 2002).

Despite the difficulties involved in determining the meaning and impact of Globalisation, there is arguably a broad agreement that the concept refers to economic, political, social and cultural integrations across the world (Scholte 2000a; Yeates 2001; George and Wilding 2002). Scholte (2000a), for instance, regards Globalisation as a decisive configuration of social, economic, political, and cultural changes which consequently has transformed key institutions and practices of the modern world. Similarly, Yeates (2001) describes the concept as an extensive network of economic, cultural, social and political interconnections and processes, which routinely transcend national boundaries.

From the foregoing discussion, it can perhaps be inferred that Globalisation essentially relates to the integration of the world economically, politically, socially and culturally, although there are differing views regarding the extent to which the world has integrated in these aspects of life. The central concern of this paper is not, however, about the complex debates regarding what Globalisation relates to, nor even the extent of its economic, political, social and cultural impacts. What the paper seeks to do is to explore those aspects of the Globalisation debate that relate to its impact on Social Welfare provision.

Developments in the Globalisation Process
MacGillivray (2006) traces developments in the Globalisation process as far back as global governance under the Papacy (1490-1500), when Spain and Portugal divided the globe between them, eliminating middlemen in the supply-chains of long-distance trade, through exploration, wars of expansion and conquests, in order to control global trade. Others, such as Prabhakar (2003), as well as O’Brien and Williams (2004), extend MacGillivray’s period to the 1800s, when other European nations, including the Dutch, French and English, joined the Spanish and the Portuguese in what has been referred to as the ‘European expansion’ (O’Brien and Williams 2004). Within this period, those European nations occupied the Americas, parts of Asia and the coastal areas of Africa (Prabhakar 2003; O’Brien and Williams 2004). This period and that of the industrial revolution in the mid 1700s and the late 1870s led to the Trans-Atlantic Slave Trade or the Triangular Trade in merchandise, slaves and raw materials, involving Europe, Africa and the Americas respectively (O’Brien and Williams 2004). This process created global integration, at least, in an economic sense.

Another important milestone in the Globalisation process that is often referred to by analysts is the Pax Britannica: 1800-1890 (O’Brien and Williams 2004; MacGillivray 2006). This relates to the period when Britain spearheaded the industrial revolution and became the world’s leading power, affirming her global reach and administering the Gold Standard exchange regime that facilitated global trade and integration (O’Brien and Williams 2004). The industrial revolution in Europe also culminated in colonialism between 1878 and 1913, when leading European powers, including Britain, France, Germany, Belgium, etc., scrambled for colonies in Africa and elsewhere in order to secure regular sources of raw materials and markets for industrial products (Hoogvelt 2001; Prabhakar 2003; O’Brien and Williams 2004).

These waves of the Globalisation process were interrupted between 1914 and 1945, as the First and Second World Wars and the great depression of the 1930s destroyed the economies of major European nations, including Britain, France, Germany and some of their allies (O’Brien and Williams 2004). The post World War II era set in another wave of the Globalisation process, this time dominated by the United States of America (Hoogvelt 2001; Stiglitz 2006).

It has been suggested that the different stages of Globalisation outlined above were underpinned by different ideological orientations, including Mercantilism, Industrialisation, Colonialism, Neo-colonialism and Keynesianism (Sivanandan 1999; Hoogvelt 2001; George and Wilding 2002; Prabhakar 2003; O’Brien and
Neo-liberal policy ideals to the development process (Pzeworski 1992; George and Page 2004; Stiglitz 2006). Poverty and income inequalities rose in many developed and the developing countries since the application of policies has been stimulated by the communication revolution that allowed worldwide instantaneous process in the immediate post Industrial Revolution era and the period leading to the two World Wars has been growth in countries that pursued them for example in Latin America and sub-Saharan Africa. Asia where there was a degree of defiance of the adoption of the Neo-liberal agenda, there was generally little Asia, intervened to a relatively large extent in the market and enjoyed rapid growth (Deacon et al. 1997). The failure in some countries in sub-Saharan Africa and Latin America, which had followed policies of reduce the size of government activity and expenditure.

Essentially, Neo-liberal policies emphasise the minimisation of the role of the state in the production and distribution processes, the privatisation of state-owned enterprises, as well as the liberalisation of trade and capital markets through the elimination of trade barriers and impediments to the free flow of capital respectively (Martinez and Garcia 2000; Bello 2004; Stiglitz 2006). Although Neo-liberal policy approaches might have underpinned the activities of international financial institutions (the International Monetary Fund and the World Bank), especially in Latin America and Africa since the 1970s (Onimode 1989; Bello 2004), debates on its wider impact in the international political economy appeared to have attracted greater attention in the 1990s (Skidelsky 1995). According to Skidelsky (1995), for instance, the debates were triggered by the fall of the Berlin Wall and Communism because that signalled the triumph of liberalism over protectionism, contributing not only to the spread of liberal democracy across most parts of the world but also the application of the Neo-liberal policy approaches to the development agenda in many countries (Skidelsky 1995; Striker 1998).

Globalisation and Social Welfare Provision

It has been argued that ‘social democratic governments have been caught in a difficult dilemma’ because of the contemporary Globalisation process, as they have been ‘confronted with the dual responsibility of how to satisfy the rising demands of their citizenry for better welfare provision, while at the same time, resisting the pressures of the global market for cuts in their welfare states’. ‘Disentangling this dilemma’, they argue, has led to welfare restructuring, as was the case in Europe in the 1990s (George and Page 1996:20-22). Welfare restructuring has led to governments privatising certain public utilities, transferring part of the welfare burden to the private sector, increasing charges for some services, making eligibility criteria more difficult, reducing the generosity of benefits, introducing new management techniques designed to reduce expenditure, making employment in public sectors less advantageous and encouraging communities to take more responsibility for the everyday running of services (George and Page 2004:20-22). In the context of developing countries, Stewart and Berry (1999) contend that the Structural Adjustment Programmes imposed on developing countries in the 1980s and 1990s by the International Monetary Fund and the World Bank resulted in the withdrawal of agricultural subsidies, cuts on expenditure on social security, education and health, as well as the privatisation of public utilities in an effort to reduce the size of government activity and expenditure.

At that time, both welfare restructuring and the Structural Adjustment Programmes were pursued within the context of the ‘Neo-liberal ideological logic’, promoted by the external international donor agencies, such as the International Monetary Fund and the World Bank, as a condition of aid, that, small government, low welfare expenditure and ‘lean and mean’ management are essential ingredients for improved rates of economic growth (George and Wilding 2002; Pzeworski 1992; Stiglitz 2006). Of course, experience has proved otherwise, since poverty and income inequalities rose in many developed and the developing countries since the application of Neo-liberal policy ideals to the development process (Pzeworski 1992; George and Page 2004; Stiglitz 2006). The World Bank (1999) itself, having fervently defended and pursued Neo-liberal policy ideals, acknowledged this failure in some countries in sub-Saharan Africa and Latin America, which had followed policies of liberalisation and privatisation but failed to grow as expected, while other countries, notably East and Southeast Asia, intervened to a relatively large extent in the market and enjoyed rapid growth (Deacon et al. 1997). The Bank’s observation was premised on the realisation that, while there was economic growth in East and Southeast Asia where there was a degree of defiance of the adoption of the Neo-liberal agenda, there was generally little growth in countries that pursued them for example in Latin America and sub-Saharan Africa.
Critics of the imposition of Neo-liberal policies in the form of Structural Adjustment Programmes argue that the strategy failed to stimulate economic growth in developing economies because of the absence of welfare services and weak economic structures. The weak state of the economy, in turn, contributed to the acquisition of strategic national assets by multinational companies through privatisation, leading to job losses, unemployment and greater poverty (Stiglitz 2006). In the context of Ghana, the pursuit of Neo-liberal policies in the form of Economic Recovery and Structural Adjustment Programmes has had mixed results (Achanso 2014). They have contributed to intermittent balance of payments stability, they have generally not generated economic growth and this has often contributed to macro-economic instability and its associated development challenges (Hutchful 1985). It has largely been this lack of economic growth over two decades of the adoption of the policies in the country that has contributed to arguments about the suitability of such policies for the country’s development agenda as the Mahama led government declared its intent to seek financial bailout from the International Monetary Fund this year.

It has also been argued that the impact of the contemporary Globalisation process on contemporary welfare state development is in sharp contrast with previous welfare state-building, when states actively intervened to stimulate demand, growth and full employment, through the controlled increase of money supply, public expenditure and investment (Yeates 2001). Such a process of welfare building has been referred to by Ruggie (1983) as the ‘compromise of embedded liberalism’, which allowed states to pursue domestic economic and social priorities, including international trade, although within limits acceptable to international monetary institutions. The nature of the contemporary global political economy, he contends, renders the regulation and taxation of corporations, as well as the provision of comprehensive social protection, much more difficult for governments than was previously the case Ruggie (1983). This is because capital mobility increases the perceived risk or the credibility of the threat of flight abroad, while transnational corporations’ strategies of tax avoidance (be it transfer pricing or the use of tax havens) reduce tax revenues available to fund public services (Ruggie 1983).

Sometime states themselves may forfeit potential tax revenue by lowering their tax rates in order to attract investment (Farnsworth 2008), while, transnational corporations may play governments and immobile labour forces off against one another to negotiate the most favourable conditions for investment, production and taxation, ‘punishing’ countries and labour forces if they are deemed too ‘expensive’ or ‘investment-unfriendly’ (Beck 2000; Farnsworth 2008). Similarly, May (1998) argues that the range of ‘structural-viable’ strategic policy options available to governments is narrowed and individual governments are unable to affect either the socio-economic outcomes they may desire or resist pressure to curtail activities that markets may not support.

As a result of the above, two main scenarios for welfare states in the advanced industrial countries have been the focus of debates on the impact of the contemporary Globalisation process on Social Welfare policies: ‘welfare convergence’ and the ‘race to the bottom’ thesis (Yeates 2001; Yeates et al. 2008; Cary 1974; Weiss 1997; Geyer 1998:77). According to Weiss (1997), for instance, the Welfare Convergence thesis holds that, as states become powerless to make ‘real’ policy choices, governments will be forced to adopt similar economic, fiscal and social policies. This is expected to include the abandonment of comprehensive state welfare and redistributive policies and their replacement by deregulation, privatisation and welfare residualisation worldwide, leading to some form of convergence. Similarly, Geyer (1998:77) argues that, despite varying national contexts and policies of differing political parties, the welfare states of the advanced industrial countries will become increasingly similar as the forces of the current Globalisation process squeeze them into a market-oriented welfare-state model.

The Race to the Bottom thesis was originally developed in the context of U.S. federalism in the mid 1970s (Cary 1974). It holds that, in response to a perceived threat to their industrial competitiveness, states are likely to engage in behaviour that results in the lowering of their own standards. That is, as each state responds and introduces sub-optimal policies to maintain competitiveness, so will the overall level of welfare and protection be reduced. In the welfare context, a Race to the Bottom occurs through competitive devaluation of social protection standards to make a country and its workers more attractive to investors (Alber and Standing 2000). Thus, according to both the Welfare Convergence and the Race to the Bottom theses, nation-states have had to restructure their welfare systems to conform to the demands of the global market.

This account of the negative impact of the contemporary Globalisation process on Social Welfare provision has been criticised for only reflecting the perspectives of the advanced industrial world and not situations in industrial developing, as well as the least developed, countries (Yeates 2001). The assertion that social democratic welfare regimes must adapt or wither in the face of the contemporary Globalisation process has also been criticised on the grounds that most transnational trade remains concentrated in the advanced industrialised world rather than being global, and that many services need to be locally sourced rather than externally imported (George and Page 2004:31). Similarly, Legrain (2002) argues that, while some companies might be attracted to the promises of low corporate taxes and light regulatory frameworks, others may see more long-term benefits in locating to high tax areas that provide better infrastructure, such as communication, high
quality public services, a clean environment and safe neighbourhoods. Of course, this assertion by Legrain (2002) may be relevant in the context of developing economies, as privatisation and related policies under the Structural Adjustment Programmes in most of the countries did not attract needed foreign investment due to poor infrastructural development, a lack of good governance and weak regulatory frameworks (Stiglitz 2006; Panford 2001).

It has been argued that the nation-state is not merely a passive object of supranational forces, and that it can play an enabling role in the globalisation of capital, for instance, through deregulation (Boyer and Drache 1996; Cerny 1996; 1997; 1999a; Scholte 1997a; Keil 1998). In this regard, Rieger and Leibfried (1998:365) argue that the key questions are not so much about how the contemporary Globalisation process undermines the autonomy of the state, unleashes a race to the bottom or leads to welfare convergence but, instead, ‘what is the welfare state’s contribution to the most recent wave of Globalisation?’ and ‘what role does the internal transformation of developed welfare states play in the internationalisation of trade, production, and investment?’ The contention, in this respect, is that social policy is a key factor that determines political action, affecting the degree of the closure or openness of the national economy. Thus, social welfare policy influences the circumstances under which open markets and economic change are perceived as opportunities to be broadly welcomed rather than unacceptably high risks to be resisted. By mitigating the economic and social impact of restructuring on the welfare of individuals, social welfare policies provide the necessary ‘political space’ to open up markets and make a major contribution to social and political stability. In addition, by providing economic security outside the labour market for those affected by economic restructuring, welfare states have historically facilitated a shift in economic and industrial policy from protectionism to free trade (Townsend et al. 2009).

As noted earlier, the problems associated with the contemporary Globalisation process in relation to Social Welfare provision can be traced to its Neo-liberal ideological dominance in the 1970s and 1980s. This is because Neo-liberalism privileges market provision, through employment (Sykes 2009), which has limited redistributive effect, rather than state provision (Deacon et al. 1997). Of course, the application of Neo-liberal policy approaches to the development process has been modified in the latter part of the 1990s (Development Report of 1999; World Bank 2000; George and Wilding 2002; George and Page 2004; Stiglitz 2006; Sykes 2009). George and Wilding (2002) argues that one of the most important insights that gathered support in the 1990s was that ‘markets need states and states need markets, and unless capitalism is regulated, supported and civilized by public policies, it will not survive’. This realisation was first accepted at the national level and began to be asserted and accepted at the international level. Deacon (1995:56) refers to the situation as ‘the socialisation of global politics’. Similarly, the Human Development Report of 1999 warned that ‘globalisation offers great opportunities for human advances - but only with stronger governance’. In the same vein, the World Bank (2000:179) acknowledges that ‘actions at the global level are … crucial complements to country level actions’, suggesting a need for mutual collaboration between global institutions and nation-states for desirable development outcomes.

Conclusion
This paper explored the impact of Globalisation on Social Welfare provision globally. The analysis has focused on aspects of the Globalisation debate that relate to its impact on Social Welfare provision. The analysis suggested that there is a general consensus that Globalisation refers to the integration of the world economically, politically, socially and culturally. The analysis also suggested that Globalisation has a long history and has been driven by different ideological underpinnings at various points in time with the contemporary process since the second half of the 20th Century being driven by the Neo-liberalism.

Regarding the impact of Globalisation on Social Welfare provision, the analysis showed that Globalisation has been blamed largely for undermining the capacity of the nation-state to determine its own social welfare agenda. The analysis demonstrated that the problems associated with the contemporary Globalisation process in relation to Social Welfare provision can be traced to its Neo-liberal ideological dominance since neo-liberalism privileges market provision that has limited redistributive effect, rather than state provision, which has a wider redistributive impact. Of course, the nation-state has been seen to have played a significant role in the process of Globalisation itself by creating an enabling environment, such as deregulation, that facilitated the process. The state does this not necessarily because of the pressures exerted on it by the global market or global business activities but because such actions enhanced its own interests.

The analysis also showed that the application of Neo-liberal policy approaches to the development process has been modified since the latter part of the 1990s due to the realisation that markets need states and states need markets, and unless Neo-liberalism is regulated and supported by public policy, it may not make a desired impact on development. This paper, therefore, concludes that there is a need for mutual collaboration between global institutions and nation-states for desirable development outcomes globally.
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