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Colonial Legacies and Social Welfare Regimes in Africa

An Empirical Exercise

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prepared for the UNRISD project on
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Acronyms

AIDS	Acquired immunodeficiency syndrome
FDI	Foreign direct investment
GDP	Gross domestic product
GNI	Gross national product
HIV	Human immunodeficiency virus
LOGCAP	Log of per capita income
ODA	Overseas development assistance
OECD	Organisation for Economic Co-operation and Development
UNRISD	United Nations Research Institute for Social Development
USD	United States dollars
WHO	World Health Organization

Summary

This paper identifies three types of welfare regimes in Africa, based on the insight that tax and expenditure regimes are closely associated. Using cluster analysis, the author highlights historical legacies in current welfare policies, demonstrating that welfare regimes in Africa have been strongly determined by the ways in which different countries were incorporated into the colonial economy. The author finds that many of the new social welfare reforms are taking place in what he refers to as labour reserve economies, and are generally internally rather than aid-driven. He stresses the importance of thinking of social expenditure in relationship to domestic resource mobilization, and finds that the focus on aid and social expenditure has tended to obscure this important aspect of welfare regimes in Africa.

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Introduction

The central purpose of this paper is to engage the literature on welfare regimes with the aim of identifying any systematic variations and reasonably coherent clusters of regimes within Africa. Observers of social policy and welfare regimes in developing countries have noted how atheoretical and descriptive the work is or how little has been done to identify commonalities among developing countries.[1] On the one hand, this is attributable to neglect of the literature on welfare regimes inspired by Esping-Andersen's seminal work (Esping-Andersen 1990), "three worlds of welfare capitalism," which has produced a rich literature mainly around member countries of the Organisation for Economic Co-operation and Development (OECD). On the other hand, until recently the social policy experiences of developing countries have hardly featured in comparative analysis of social policies. There is, however, a new interest in the role of social policy in the process of development which has led some taxonomy of historical or current policy regimes. This new literature has sought to widen the number of countries involved or to examine the applicability of Esping-Andersen's methodology and classificatory approach to developing countries or to modify the variables included. We now find a growing comparative literature on Latin America[2] and East Asia.[3]

The literature on social policy in Africa has been slow in engaging with this literature in a systematic way. This can be attributed to many factors. One is the general point that the funding of the welfare state has been generally neglected: "A relative indifference to the funding base and the exclusive concern with the redistribution is closely related. …The importance of the funding capacity of the state is overshadowed by an overwhelming concern for redistribution through welfare programmes and taxation" (Kato 2003:2). In addition, the attention to aid has overshadowed the question of the domestic funding of social policy, although in most African countries this is the most significant source of funding. And where there is interest in the fiscal base of social policy in Africa, much of the work remains focused on, or descriptive of, a single country or specific sector and is not explicitly related to welfare regimes. This said, there have been useful contributions to the comparative analysis of African welfare regimes.

This paper is also a follow-up on a previous one on taxation (Mkandawire 2010) which suggests that one could identify social welfare regimes in Africa closely allied to tax regimes which, in turn, could be traced to forms of a country's incorporation into the colonial economy (Mkandawire 2010). The conjecture drew on two ideas about social policy. The first was that in a fundamental way welfare regimes—defined as " the combined, interdependent way in which welfare is produced and allocated between state, market and family" (Esping-Andersen 1999:34–35)—are inseparable from fiscal regimes so that, running concurrently or symbiotically with the inherited tax regimes, there are social spending patterns and institutions. It is the combination of these tax regimes and social expenditure patterns that substantially indicate the features of the welfare regimes of individual countries. In the words of Gilbert and Moon, "the size of tax revenues has a direct bearing on a government's ability to spend on social welfare as well as on other items of public expenditures" (Gilbert and Moon 1988:330). This is not

1 Mares 2004; Rudra 2007; Mkandawire 2011.

2 There is a rich literature on East Asia: Abdul Karim et al. 2010; Aspalter 2002a, 2002b, 2006; Esping-Andersen 1997; Goodman et al.1998; Holliday 2000; Jacobs 1998; Kim 2006; Kim 2010; Kwon 1997, 2002; Park 2007; Park and Jung 2007; Yang 2011; Yeun-wen and Finer 2007; Yi and Lee 2005; Yih-Jiunn and Yeun-wen 2007.

3 A similarly rich literature exists on Latin America: Barrientos 2009; Brooks 2007, 2009; Castiglioni 2000; Cornia 2010; Draibe and Riesco 2009; Filgueira 2007; Franzoni 2008; Haagh and Helgø 2002; Haggard and Kaufman 2008; Huber 1996, 2002; Huber and Stephens 2012; Mesa-Lago 2004; Schneider 2004, 2009; Segura-Ubiergo and Kaufman 2001; Vasquez and Mendizabal 2000.

to suggest that high tax efforts, even when associated with high social expenditure, result in better delivery of welfare services (Gough and Abu Sharkh 2011). The second idea was about the saliency of path dependence in contemporary analysis of social policy, suggesting that the pre-existence of certain institutions could facilitate the adoption of new social policy agendas both institutionally and ideationally (Blyth 2001; Pierson 1993). The origins and age of welfare systems create institutional inertia, political lobbies and institutional interests that favour their maintenance or expansion. In the African case, the colonial legacies of ideas, institutions and social stratification, operating on both sides of the revenue-expenditure balance sheet, play a significant, albeit formally deracialized, role almost half a century after independence.

The paper is organized as follows. In the first section, it brings out the forms of colonial incorporation of African economies into labour reserve and cash crop economies and the colonial welfare policies and practices associated with the incorporation. I leave out concession economies due to lack of data in the post-colonial era. The second section demonstrates that, using data from the 1990s and after, these colonial legacies produced two clusters of welfare regimes along the colonial strategies discussed in the first section. The third section shows how this classification is a significant determinant of levels of social expenditure. The fourth section demonstrates the relevance of the comparative classification on one specific set of social policies—health expenditure.

The Initial Conditions: Colonial Legacy and Social Policy

In an earlier paper on taxation (Mkandawire 2010) I used a classification of African tax regimes along the lines suggested by the work of economic historians Samir Amin (1972) and Oliver and Atmore (1967). I suggested that the tax regimes in Africa could be classified according to the economic forms of colonial incorporation which had produced three major types: (i) the labour reserve economies which are predominantly found in Southern Africa; (ii) the cash crop economies; and (iii) the regimes that are closely associated with the concession companies (Mkandawire 2010).[4] I have slightly amended the classification to include Burundu and Rwanda, which provided labour to the British colony of Uganda and then under Belgian labour recruitment schemes, to the mines in Congo.

Table 1: Forms of colonial incorporation

Type	Countries
Cash crop economies (enlarged West Africa)	Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Tanzania, Togo, Uganda
Africa of the concession companies (Congo Basin)	Central African Republic, Democratic Republic of Congo, Gabon, Republic of Congo
Africa of the labour reserves (East and Southern Africa)	Angola, Botswana, Burundi, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Rwanda, South Africa, Swaziland, Zambia, Zimbabwe

Source: Constructed from the classification by Oliver and Atmore 1967 and Samir Amin 1972.

Labour reserve economies tended to be high tax economies, relying more on direct taxes. In contrast, cash crop economies were low tax economies that relied on trade taxes (Frankema 2010). In the paper (Mkandawire 2010) on taxation, I argued that an explanation for high taxation in the "labour reserve economies" was the racially exclusive welfare regimes that were set up for the white population. In this paper, I seek

4 See table 1 for the classification of the countries.

to establish that in Africa one can identify distinct welfare regime patterns that are closely associated with the "labour reserve economy" defined below and that differs in some substantial characteristics from the "non-labour reserve economies". Although there are some similarities between this classification and that of Acemoglu et al. (2001), it is important to bear in mind that the latter classification was ultimately focused on property rights, while the Amin classification (Amin 1972) considers labour and commodity market conditions, differential access to inputs such as human capital, and differences in access to property rights. It focuses not only on the securing of property rights of the colonialists but the dispossession and proletarianization of the indigenous populations and their incorporation into world markets, which are much more institutionally demanding tasks.

There is a considerable amount of literature quantitatively examining the effects of colonialism on contemporary economic performance.[5] The colonial legacy can express itself through various channels: in the form of durable institutions that condition or constrain post-colonial ideas; through ideas borrowed from or imposed by the erstwhile colonial masters; through pressures of incipient social interests that have become more pronounced in the post-colonial era; through the colonial ties that survive decolonization and the economic and political leverage that the erstwhile colonial master continues to exercise; or due to "mundane administrative reasons" and the force of habit (Midgley 1984:28).[6] Although it might seem that there is an overemphasis on the colonial legacy and on copying and continuity and much less on contestation and rupture, not all aspects of the colonial legacy are simple replications of what has been bequeathed by the past but also of contestation through resistance to the colonial order and the imagining of alternative futures. Colonialism impacted on nationalist agendas and forms of mobilization and resistance, and on the ideological progression and the "social pacts" that emerged. There was also the reaction and attempts to rectify the injustice of the past. In the words of Patel, "the demands and struggles of opposition social movements account for the normative thrust in post-apartheid social policies with their focus on social justice and social rights, state intervention and the role of civil society in social developments" (Patel 2011:81).

Colonial social policy was circumscribed by what Crawford Young refers to as the "the twin exigencies of hegemony and revenue" (Young 1988:29). In the early years of colonial rule, active social policy was simply not on the agenda and the social protection schemes that existed were exclusively for citizens of the metropolis working in the colonies or for white settler populations. The assumption was that traditional forms of social protection would take the place of social security provided by the state. In his influential African Survey, Lord Acton stated that, "it is clear that by treating the native reserves as reservoirs of man-power, there is, in effect, a saving in that outlay on social

[5] Acemoglu et al. 2001; on post-colonial social indicators of education: Bolt and Bezemer 2009; on poverty: Bowden et al. 2008; Bowden and Mosley 2008; on well-being as measured by anthropometric data: Cogneau 2003; on inequality: Acemoglu et al. 2001; Angeles 2007; on institutions and governance: Lange 2004; Bernhard et al. 2004; Acemoglu et al. 2001; Bowden and Mosley 2008; on timing of first social security laws in Africa: Kangas 2012, or taxation: Mkandawire 2010; or on social safety nets: Maclean 2002. Much of this writing deals with single issue concerns and does not directly relate to social policy regimes. One of the few cases that deals explicitly with the colonial legacies of colonialism on social policy is the anthology edited by James Midgley and David Planchaud (2011).

[6] It should be stressed here that the existence of colonial institutions does not mean they serve the same purpose as they used to. As Midgley (1984:208) states:

> It cannot be argued even that social assistance schemes are purposefully used by governments today as they were during colonial times to suppress mendicity and provide a measure of aid to the destitute. Their small budgetary allocations, haphazard administration, ineffectiveness and poorly developed role as a useful measure of income support in developing countries suggest that this is not the case. While there are exceptions, the poor laws survive in many developing countries today for the simple but surprising reason that no one has properly evaluated them or critically examined their role and function.

services which in other circumstances might have to be incurred on behalf of industrialized labour" (cited in Eckert 2004:473).

The wave of protests by peasants against merchant capitalists in the 1930s, the growing assertiveness of African labour, the growing urban population and the social demands of demobilized African soldiers after the Second World War led to some reconsideration of social policy which culminated in the Colonial and Welfare Development Act in the British colonies.[7] However, the new initiatives were quite limited in their reach. They were also profoundly shaped by the mode of incorporation of the colonies and their fiscal base.

The cash crop economies

One feature of the cash crop economy that had significant implications for social well-being was that the indigenized people's access to land was maintained and the control over the system of production was left in their hands. As Bowden et al. (2008:1055) argue, this form of colonization "placed in the hands of lower income groups a cluster of assets, not only permanent export crops but also the infrastructure and training required to produce and export them, which were to be important in determining the dynamics of poverty reduction processes in later years" . This had huge implications on labour markets. For one, access to land and commodity markets raised the reservation price of labour and improved the bargaining power of Africans in the labour market. And thus for Ghana and Uganda, the real wage began to rise from its 1911 level in the 1920s and 1930s respectively, and never fell back to that floor.

The second feature was access to human capital and finance, both related to access to income through cash crop production. The booming exports provided peasants with income to pay for their education. In addition, the process of cash crop production and marketing required a semi-skilled indigenous labour force. Bowden et al. (2008:1069) observe:

> From the beginning, the peasant-export economies had a greater propensity to invest in the human capital of the poor. This had various dimensions, of which the easiest to measure is the level of investment in African education. As one measure, in 1950, at a time when Southern Rhodesia (Zimbabwe) had only one African secondary school, and Kenya only three, Ghana (the Gold Coast) had 20 (together with three teacher-training colleges and a university college), and Uganda six (together with one teacher-training college and university college). Investment in the African labour force was, until the middle of the twentieth century, not part of the settler-colony vision.[8]

Social policies in these cash crop economies were often pursued through informal or community-based systems which were seen as supplementing the "traditional" systems of social welfare in the community (Maclean 2002). The emphasis was on local leadership, self-help and voluntary effort, an aspect of "indirect rule" in such economies.[9] The access to incomes through direct participation in commodity markets, rather than through wage labour set the stage for the out-of-pocket expenditures on social services that characterizes cash crop economies to this day. One consequence of this informal provision of social welfare was a lack of strong and sustainable institutional bases that has undermined new initiatives in low-income countries (Niño-Zarazúa et al. 2012).

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[7] Seekings 2011; Cooper 1996; Eckert 2004; Midgley and Piachaud 2011.

[8] In a similar vein Frankema (2012) shows a high correlation between social enrolment and subsequent literary levels with cash crop economy.

[9] Indirect rule refers to situations where the colonial governments ruled through "traditional rulers".

The more formal means of social policy came in roundabout ways in cash crop economies. In such economies, the new "social question" arose out of peasantization and commercialization of African crop production which immediately exposed peasants to new social vulnerabilities stemming from greater reliance on markets. These vulnerabilities became most acute during the Great Depression where price instability for cash crops led to riots. Colonial authorities were obliged to introduce measures for the stabilization of commodity prices and incomes of peasants through marketing boards (Eckert 2004; Cooper 1996). It is important to note that although marketing boards served the function of surplus extraction, they also responded to pressures on the government to mitigate domestic social conflict caused by volatility in the world economy (Alence 2001). Interestingly, the British colonial government saw the marketing boards as an instrument of social protection by shielding peasants from the vagaries of the market.[10] They thus became what Mishra (2004) would refer to as "social policy by other means".

Labour reserve economies

If in the cash crop economies the problem was that of peasantization, in the labour reserve economies it was that of proletarianization, which had more complicated demands on state structures. I noted above how the cash crop economies allowed room for self-improvement by the indigenous population and developed skills for some level of self-management as well as to meet the mercantile and administrative needs of the cash crop economy. This was in sharp contrast with the labour reserve economies where the imperative of producing cheap wage labour denied Africans the opportunity to work outside the white settler-dominated labour reserve economy, compelling them "to adopt a way of life in which they derived an increasing portion of their sustenance from land and equipment owned legally by others" (Richard Wolff 1973, cited in Good 1976:600). Related to this was the myth that Africans had a backward-bending labour supply curve. The myth was that "[t]he more you gave Sambo the less he worked" (Palmer and Parsons 1977:14)— a racist myth sustained by increasing labour supplies even as wages fell. Thus a South African black's real wage was closely aligned to its subsistence floor of the labour reserve until the 1970s (Bowden et al. 2008). The effect of these policies was to reduce the "labour reserves" into dumping grounds of exhausted, injured or diseased labour (Meillassoux 1981; Palmer and Parsons 1977). Indeed the "pure settler" economies, South Africa and Zimbabwe, are the only ones where Bowden et al. (2008) observed a decline in African rural living standards over long periods (more than 15 years) within the twentieth century. They find that "settler economies" have had much worse poverty and income distribution outcomes than peasant export economies.

This is not to suggest that the labour reserve economies were devoid of social policies targeted to the indigenous population. They were not and for a number of reasons. One function of social policy in a capitalist society is the reproduction of labour as a means of production, which was a central preoccupation in these economies. The aim was to achieve exploitation of labour without actually undermining its reproduction.[11] The

[10] We should note here differences between the British and French colonial attitudes. These are well captured in MacLean's examination of the colonial legacies of Ghana and Côte d'Ivoire and how the normative legacies still shape social policy discourse in the respective countries. "While the British were more concerned about protecting the extended family, the French essentially applauded its dissolution, viewing the demise of the 'traditional' collectively as the liberation of the individual" (MacLean 2010:125).

[11] These concerns are captured in a report by the Southern Rhodesia government, Report of the Native Production and Trade Commission 1944:9, 19):

> the persistence of this low standard of health must necessarily retard an increased effort by the Natives to improve their social and economic conditions...Tuberculosis is increasing to an extent which in the medical view is ominous. Owing to want of suitable accommodation, Natives with this disease are being sent to the Reserves [African rural areas] where they are likely to share a windowless hut with several

solution was to transfer the burden of social security onto rural communities, most of whom were living at the subsistence level deliberately maintained to force peasants into the capitalist labour market.[12] The social question thus took on an entirely different turn from that of the cash crop economies, and the labour reserves economies developed certain features that have had a lasting impact on social policy and institutions.

The first had to do with management of labour migration. This included policy measures that inhibited migration to urban areas, ironically through the use of the "Pass system" which required "natives" to carry a passport endorsed by their employers. Closely related to this problem was the question of managing indigent labour in the urban areas through social assistance laws and programmes which were introduced to address the repatriation of redundant labour to the native reserves. Later there were also measures to reproduce more stable labour as demanded by industrialization that eventually included education, health and housing measures. Many of the social policies were based on the English Poor Laws and were targeted specifically at the urban indigent.

The second feature was the extractive capacity of the state. As argued in Mkandawire (2010), labour reserve economies tended to collect relatively more tax (when controlled for other features of the economy) than the cash crop economies. The third feature was the high regulatory capacity of the state designed to protect and service a racial minority in power and to ensure the regimentation and reproduction of a highly migrant labour. The fourth feature was the establishment of racially segmented welfare regimes, which with their high taxation capacity, required institutional arrangements that blocked the leakage of the benefits of tax to indigenous populations (Mkandawire 2010).[13] Settler economies produced extensive welfare states, which, when deracialized, provided substantial benefits to those included in this welfare world, with South Africa eventually emerging in the post-apartheid era as "probably the developing world's largest and most generous welfare state" (Ann Bernstein cited in Hassim 2006:109).

The fifth feature was the pattern of urbanization that led to much more thorough forms of labour commodification than in the cash crop economies, in the sense that livelihoods in the highly regimented urban areas were dependent on formal employment. The result was lower levels of informalization and reliance on the formal sector employment for the provision of welfare benefits (Mkandawire 1986, 2005). The sixth feature was the high levels of horizontal inequality in which the most striking aspect of inequality was along racial lines. This has had huge implications on the incidence of both tax and public expenditure. In the advanced capitalist countries, much of the progressive

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> others. Drastic and immediate action is not only humane, it is mere self-protection (cited in Bowden et al. 2008:1057).

Sharon Stichter (1982:27–28) has also aptly summarized this attitude for Kenya:

> In the migrant system, which predominated in the commercial, mining and manufacturing establishments as well as in agriculture, labour costs above day-to-day subsistence for the labourer on the job were transferred to the vestiges of the precapitalist economy. Such costs as retirement or social security, education, health, and the rearing of the next generation of workers, which in twentieth century core capitalist nations would be met out of wages or profits, were borne by the economy of the African 'reserves', which supported the worker's wife, his children, and himself in sickness and old age. In this way the tribal economy became an appendage to the new economy of estate agriculture, subsidising its low wages.

[12] Arrighi et al. 2010; Wolpe 1972, 1980; Burawoy 1976; Meillassoux 1981; Mhone 2000; Phimister 1974.

[13] This was particularly the case in countries with large white working class populations. In the case of South Africa the "pact" between white labour and the Afrikaner nationalist government was precisely around the protection of white labour from cheap black labour and the establishment of welfare regime modelled on post-war European welfare regimes (Patel 2011). Post-War regimes were grafted on to a highly racialized society to produce a segmented welfare regime based on Beveridgean principles for whites and Poor Laws for blacks. Francis Lund and associates characterized the welfare system in South Africa as a "strange combination of mainly British welfare tradition and apartheid policy" (cited in Hassim 2006:110).

welfare spending is funded through regressive taxes.[14] Such a process was not allowed in labour reserve economies. Progressive taxes were premised on regressive expenditure.

The final feature was the forms of resistance and the ideologies they spawned and which have had a profound influence on thinking about social policies in labour reserve countries. The nationalists' contestation of the racial order meant that one fundamental aspect of policy in the post-colonial period would be deracialization and extension of key aspects of the racialized welfare state. This contestation and resistance was to place a number of social policies, such as racial inequality or land reform and many labour laws, on the agenda of key regional movements and, through the labour migration process, to have contagious impacts on the region.

These factors had two consequences for social policy. The first is the political pressure to correct historical injustices. Unlike the case of the cash crop economy where there was little political urgency to implement welfare policies pronounced by the colonial government, the labour reserve economies produced high levels of labour militancy for ending racial inequality and were driven by the logic of industrialism's need for a stable labour force. One consequence of this might be a reduction in horizontal inequality while vertical inequality, although partially deracialized, remains the same or even worsens partly because the ensemble of fiscal measures is ultimately insufficiently redistributive.

The second is the pre-existence within the region of social welfare programmes, albeit highly racialized, which provided the foundations of new initiatives.[15] The legacy of extreme economic inequality plays an important role in marking the boundaries of social policy concern and has been suggested as a driving force behind social protection policies in Southern Africa (Devereux and White 2010; Hickey 2007). Indeed it has been pointed out that it is precisely in the former settler economies with high levels of inequality that we see the most concerted efforts at broader social protection policies (Devereux and White 2010; Hickey 2007) and where the extension of grant-based social protection has emerged as a domestic and largely tax-funded initiative (Barrientos et al. 2009). One should also bear in mind the political mobilization that went with the end of the racial order and the subsequent organized pressure for change.[16] The political discourse was bound to be infused with concerns of horizontal inequality. In labour reserve economies, there was a tendency to undertake intra-group comparisons suggesting a focus on horizontal rather than vertical inequalities.[17]

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[14] Kato 2003; Lindert 2004; Shaikh 2003.

[15] This is most obvious in South Africa about which Patel (2011:81) observes:

> When a democratic society was created South Africa inherited social legislation such as child protection and other laws to promote the well-being of vulnerable groups. The new society also inherited a fairly well developed infrastructure and service delivery capability of voluntary and faith-based organizations that had had experience in delivering social services since 1920. But most of all, it inherited a social assistance for the elderly and people with disabilities and a system of family support which was later refashioned. Publicly funded social assistance has expanded from three million beneficiaries in 1995 to 13 million beneficiaries in 2010, providing valuable income support to older persons, people with disabilities and children. This may be one illustration of path dependency, which has had positive human development benefits.

[16] Schüring and Macdowall (2011) capture this imperative thus:

> Today, not to invest in the poor when funds are (arguably) available would be political suicide in South Africa, which also has the most vibrant and motivated civil society on the continent plus a majority parliament and president who represent the impoverished majority. This, combined with a functional constitutional court, means that citizens have rights which they have been supported to claim, as the Grootboom court case exemplified in 2000. Nor is it surprising that we see similar patterns emerging in the other southern African countries. South Africa's close neighbours (Botswana, Lesotho, and Swaziland) share a small geo-political world, mobile migrant worker populations, middle income status, and the HIV/AIDS pandemic and extreme inequality. We see that these factors were much more influential than different attitudes towards the various categories of the poor (Schüring and Lawson-McDowall 2011).

[17] Stewart 2009; Devereux and White 2010; Hickey 2007.

Concession economies

Concession economies were ones where vast resources were managed by private companies. The brutality of these regimes have been immortalized in Joseph Conrads' *Heart of Darkness* and Adam Hochschild's *King Leopold's Ghost*.

Social Welfare Regimes in Africa: The Problem of Classification

This paper seeks to identify contemporary welfare regimes in Africa that are traceable to their colonial origins discussed above. A standard procedure for classifying social policy regimes is cluster analysis[18] which has become the workhorse of comparative social policy. Cluster analysis is a way of inductively grouping data into few and meaningful categories. This statistical technique is ideal for the purpose of this paper, as groupings are identified without any theoretical predispositions on the data.

The choice of variables included has been determined by availability and their inclusion in earlier studies. Following Gough and associates,[19] I include a broad range of variables to capture a wide range of aspects relevant to welfare regimes in Africa. In the process of using this comprehensive list, one or two countries were lost from table 1. Countries that were not colonized, or did not exist on their current geographical form in the colonial days were excluded, as were small island countries.

Table 2: Description of variables

	Variables
Commodification	Health expenditure, private (% of GDP)
Global environment	Net ODA received (% of GNI) External debt stocks (% of GNI) Foreign direct investment, net inflows (% of GDP) Interest payments on external debt (% of GNI)
Economic structure	Industry, value added (% of GDP) Log of GDP per capita (constant 2000 USD) Urban population (% of total)
Social stratification	Literacy rate, adult female (% of females ages 15 and above) Total enrolment, primary, female (% net) Gini index Income share held by highest 10% Primary education, pupils (% female)
Other	Military expenditure
Welfare outcomes	Literacy rate, adult total (% of people ages 15 and above) Total enrolment, primary (% net) Immunization, DPT (% of children ages 12–23 months)

[18] Cluster analysis starts with each element in its own cluster, and then proceeds by creating new clusters that contain elements that relatively close to each other when compared to other elements. The new clusters with closest distance are then merged into new clusters and a new proximity metric calculated with the new cluster as one of the objects that are closest to one another. The procedure is carried out until only one cluster remains. The resultant agglomerative hierarchical clustering produces a tree-like dendrogram which, on the vertical axis, shows at what level of similarity any two clusters are joined. The significant point about the various analyses is choice of the measure of distance. The usual measure used is the Euclidian difference which takes the form

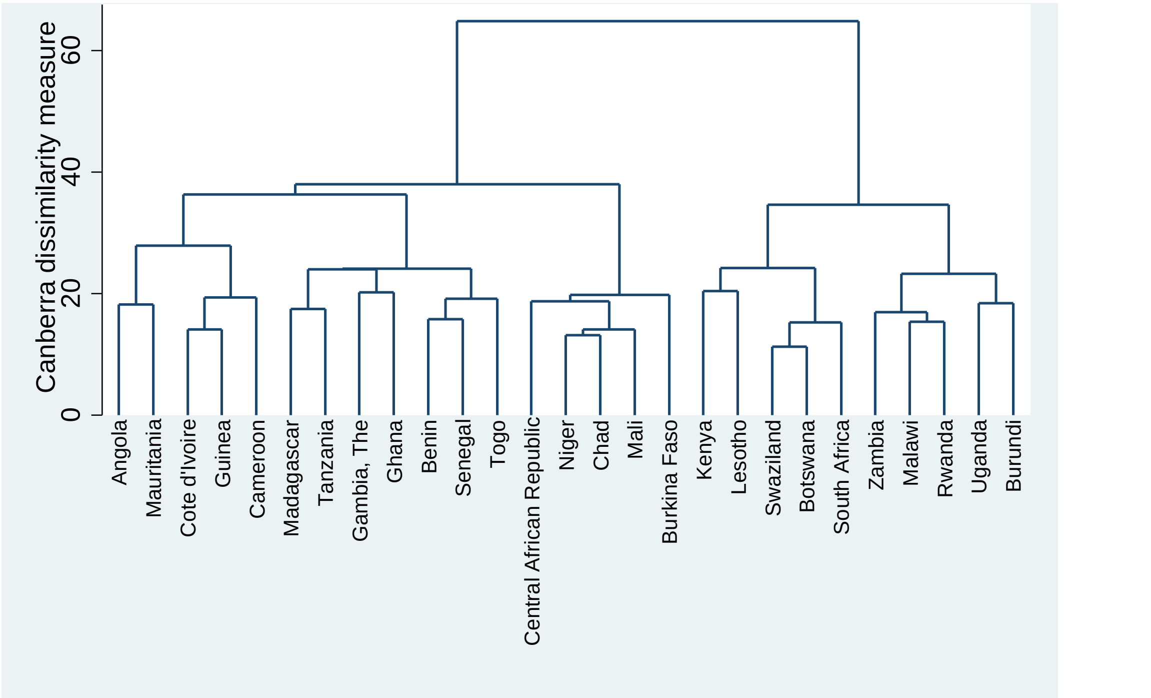
$$\{\sum_{m=1}^{p} (x_{mi} - x_{mj})^2\}^{1/2}.$$

There are many methods for linking the clusters. I will use the Ward's linkage method which joins clusters by minimizing the within-group sum of squares and tends to produce compact clusters. It is one the two most widely used methods although it has the not always desirable tendency to produce clusters of approximately equal size and is quite sensitive to outliers.

[19] Gough and Abu Sharkh 2011; Gough et al. 2004; Abu Sharkh and Gough 2010.

The clustering shown in the dendrogram in figure 1 was obtained using the variables indicated above and the countries for which data was available. Visual inspection of the dendrogram shows that there are two clusters of African economies, with the cluster on the right consisting of labour reserve economies and the other of non-labour reserve economies, with only a few misclassified. As often happens with cluster analysis, there are "rogue" countries that stray from the postulated historical affinities, especially given the passage of time (for example, Angola and Tanzania).

Figure 1: Hierarchical cluster analysis of welfare regimes in Africa



Source: Elaborated by the author from World Bank data.

Relationship with other studies and literature

We start with Ian Gough and associates (2004) who have made the most ambitious attempt in using cluster analysis to identify welfare regimes in non-OECD countries. They identify two "meta-welfare regimes" in developing countries: an informal security regime and an insecurity regime. Under the latter, they identify a sub-category applicable to Africa, namely "Failing informal security regimes" which are "where public social policy has expanded in both expenditures and outreach and literacy levels are high, but these improvements are swamped by rising mortality and morbidity due to HIV/AIDS". Comprising Botswana, Kenya, Namibia, South Africa and Zimbabwe, interestingly these countries belong to the "labour reserve economies". The "insecurity regime", on the other hand, "describe[s] institutional arrangements which block the emergence even of stable informal security mechanisms, and thus generate gross levels of insecurity and poor welfare outcomes" (Abu Sharkh and Gough 2010:29). The rest of sub-Saharan countries (most of the cash crop economies) belong here.

Niño-Zarazúa et al. (2012) and Barrientos et al. (2009) identify two "models". The Southern African model includes Botswana, Lesotho, Mauritius, Namibia, Seychelles, South Africa and Swaziland. The analysis (in the dendrogram in figure 1) suggests that all these countries are in the "labour reserve category", and they may indeed constitute a sub-group of higher middle income countries in the cluster. Their Middle Africa Model corresponds to our Cash Crop Economy model. The differences with the classification of Barrientos et al. (2009) is that while all the countries in the Southern African model belong to our labour reserve economy category, some of the countries we would include in the labour reserve economy are classified with many cash crop economies in the Middle Africa model. Barrientos and associates identify a number of factors to account for the extension of social assistance within these countries. In South Africa, the extension is attributed to deracialization and equity considerations, while in Namibia electoral politics play an important role. Barrientos et al. (2009:7) observe: “There is a sub-regional underpinning for the ‘model’, as the countries involved have interlocking economies, and large scale labour migration”.[20] They also note that these are higher middle income countries. The fact that Botswana—another sub-Saharan Africa country with an unusually unequal society—is one of the few countries to have introduced a pension system adds further weight to this level of income argument, and may suggest that many African countries have simply not reached the point of economic development and inequality whereby the impulse for social protection becomes pervasive.

However we should bear in mind that there are other middle income countries in Africa that have not embarked on such social policies. The Middle Africa model is a more heterogeneous model, involving programmes with different orientation and design. Nonetheless, many of the basic characteristics are shared: a focus on extreme poverty and food insecurity; a strong involvement by community organizations in the management and implementation of the programme; and precarious institutionalization and financing. These features are reminiscent of the colonial model of welfare for rural Africa discussed in the earlier parts of the paper. Seekings (2005), who considers Esping-Anderssen’s classifications “less useful in the South” divides welfare regimes in developing countries into three categories: an agrarian world, an inegalitarian corporatist, and a redistributive one:

> Agrarian regimes are defined by the private provision of welfare, dependent on access to land and/or kin; such access to land and/or kin is itself dependent on a set of supportive state policies. Inegalitarian corporatist regimes are defined by achieving income security through forms of risk-pooling and/or saving that are dependent on employment. ...Finally, there are redistributive regimes which are defined by their recognition of citizens’ rights to income security through, especially, non-contributory social assistance (Seekings 2005:16).

Seekings does not explicitly classify African countries although one can surmise from what he says about Kenya, Mauritius and South Africa (labour reserve economies) that the rest of Africa would be placed in the agrarian regime category which is close to our cash crop economies.

These classifications, while contributing to the comparative study of social policy in Africa, have lacked historical narrative that would incorporate the elements discussed above. Much of the acknowledgement that colonial legacies would still have a bearing on the classification of social regimes is ad hoc and tentative. The comparative social policy on Africa has even been slower in relating social policy to the fiscal regime. To address some of the ambiguities and inconsistencies in these classification, I make recourse to classifications above, suggesting the existence of welfare regimes that fall along the line of colonial incorporation captured in the earlier study on taxation (Mkandawire 2010). The question addressed here then is whether the past political practices, economic

[20] The distinguishing feature in not simply geographical propinquity but a shared past of being part an extensive and intensive form of labour migration immortalized in Hugh Masekela’s famous song on regional migration and exploitation of cheap labour in Southern Africa, “Stimela”.

structures and social welfare institutions still have an impact on contemporary variations in social policy in Africa. In other words, using a number of standard social-economic indicators, would the classification posited above have any predictive value?

The Social Expenditure Effect

Having identified two clusters of welfare regimes, we now turn to the question whether there is a relationship between the welfare and the tax regimes, as conjectured in an earlier paper (Mkandawire 2010). This will be done through the lens of social expenditure—"the proverbial gold standard of welfare state development" (Kim 2010:423). Social expenditure consists of basic assistance to families, unemployment compensation, public non-contributory pensions, public health, housing subsidies and public housing (Lindert 2004). Even if there were available data on these variables in the studies of welfare regimes in OECD countries, there would still be the question of the adequacy of these measures and the Eurocentric basis of the weights attached to them. It is clear that the measures exclude public social expenditures that may be more important in national budgets of developing countries than those of developed ones. More specifically, we should consider expenditures on measures that somehow capture "surrogate social policy" (Chang 2004:252) or "social protection by other means" (Mishra 2004:68). These may include price stabilization for farmers through marketing boards, subsidies for food, fertilizers or transport to poor farmers. These can be quite substantial.[21] The political salience of these subsidies are often highlighted by "rice riots" when the subsidies are removed often as part of liberalization policies. Unfortunately such data is not available in a comparative form. And even for the basic data used in OECD studies, adequate data is available only for public expenditure on education and health.

A consequence of the labour reserve economy has been the creation of social conditions that have fanned the spread of HIV/AIDS in the regions—patterns of migration, separation of families, and so on.[22] As a consequence, the labour reserve economies have been hit hard by the HIV/AIDS pandemic. Governments have had to significantly increase their expenditure on health thus inflating social expenditure.

Rather than simply use total social expenditure I have to adjust my analysis by eliminating the part of expenditure that is not accounted for by HIV/AIDS. This is done by regressing SOCEXP on HIVPREV. The residual (SOCEXADJ) is then used as the adjusted social expenditure.

The generic form of the model is:

$$S_{t,i} = \alpha_{i.t} X_{i,t} + \beta_{t,i} Z_{i,t} + \partial R_{i,t} + \mu_{i,t} + \varepsilon_{i,t}$$

Where

$S_{t,i}$ is the adjusted share social expenditure in GDP

$X_{i,t}$ is a matrix of independent variables

$Z_{i,t}$ is a matrix of control variables

$R_{i,t}$ is a matrix of the dummy variables

μ_i is the group effect for each county, and ε_{it} is the error for each country and where i = 1,2,…N are the cross-section units (in this case countries) and t = 1,2, T are the period.

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[21] For instance in Malawi, the fertilizer subsides to smallholders took up 6.4 per cent of the budget in 2006/2007 farming season as compared to around 8 per cent for social expenditure as measured by education and health expenditure.

[22] Sawers and Stillwaggon 2010; Lurie et al. 2003; Brummer 2002.

As is standard in this literature, I use panel data for my analysis, using an unbalanced pooled time series of analysis for 36 sub-Saharan countries for the period 1990 to 2011. Such panel data violate a number of assumptions in the standard ordinary least square analysis such as the independence of errors across observations because of heteroskedasticity, spatial contemporaneous autocorrelation and serial autocorrelation. Consequently "determinants of social expenditure" literature resort to panel corrected standard errors and other tools to address these problems (Kim and Zurlo 2009; Rudra and Haggard 2005). I use panel corrected standard errors method in my analysis to address some of these problems.[23]

My core regressors are standard in social expenditure; I thus use log of per capita income (LOGCAP), share of INDUSTRY in GDP and URBANIZATION as indicators of Wilensky's "industrialism".[24] Industry and urbanization would be expected to have a positive effect on social expenditure, as organized labour and the "social question" in the urban areas pushes towards increases in welfare effort by the state. For some, the fact that urbanization tends to have a positive effect on welfare transfers "reveals that the welfare system serves the urban areas more than the countryside…rural residents tend to fall outside welfare transfers in poor countries", not least because urban dwellers are considered more politically valuable by governments (Feng and Gizelis 2002:228). This is the "Urban Bias" thesis (Lipton 1977). DEPENDENCY measures the population under 15 and over 65. It is generally expected that the larger the population under 15, the more the state will spend on education and childcare, while the larger the population over 65, the greater the political pressure to allocate more for the care of the elderly. From these hypotheses a positive relationship between dependence and social expenditure could be posited.

The variable of interest will be the dummy variable RESERVE, which takes the value of 1 when the country belongs to labour reserve economy and 0 otherwise. My hypothesis is that it has a positive coefficient. LOGCAP is expected to have a positive coefficient. The three indicators AID, TRADE, DEBT and FDI are measures of globalization whose effect on welfare state expenditure has been the subject of considerable analyses on globalization and the welfare. In aid-dependent economies, aid is bound to play a significant role with respect to resource allocation. Where it is simply additional to state expenditure on social policy, the relationship between aid and social expenditure will be positive. However, there are factors that might work in the opposite direction. Aid may "crowd out" domestic resources in the social sector as governments shift their resources elsewhere or reduce their overall budgetary efforts. Two opposite hypotheses are advanced with respect to integration in the world system. One is the "competition thesis" which suggest that in order to be competitive, a country may have to retrench welfare measures. It is said to lower social expenditure by lowering tax revenue (Reuveny and Li 2003). A contrary view is that in order to avoid social conflict, countries may have to compensate the losers with social measures. Thus trade openness may lead to greater social expenditure as the state seeks to protect its citizens from the vagaries of globalization or compensates the losers. For similar reasons, FDI is theoretically ambiguous. DEBT is included as a proxy for the state's fiscal well-being. It would be expected to be negatively related to social expenditure.

[23] I use XTPCSE in Stata.

[24] According to Wilensky (1975), economic growth and its demographic and bureaucratic outcomes were crucial drivers behind emergence of the welfare state.

The results of the analysis are presented in table 4. Wilensky's relationship seems to slightly true for African countries, unlike for developing countries in general.[25] URBANIZATION is negative, somehow contradicting what one would expect in light of the much vaunted "urban bias" of African governments. The most relevant result of the analysis is that the coefficient for the variable RESERVE is positive and significant.

Table 3: Variables used in all regressions

Variable	Description
TAXSHARE	Share of tax revenue in GDP
AGRI	Share of agriculture in GDP
DEBTSERVICE	Share of debt in total exports
SOCEXP	Share of social expenditure in GDP
SOCEXPHAT	Adjusted SOCEXP lagged
INDUSTRY	Share of industry in GDP
LOGCAP	Logarithm of per capita income
TRADE	(Export=import)/GDP
L.AID	Aid as percentage of GNI (lagged)
RESERVE	equals 1 if country belongs to labour reserve and 0 if it does not
FDI	Foreign direct investment, net inflows (% of GDP)
DEPENDENCY	
URBAN	Urban population as per cent of total population
HIVPREV	HIV/AIDS prevalence

Table 4: Determinants of social expenditure in Africa

Variables	Model 1	Model 2
L.SOCEXPHAT	0.967***	0.950***
	[57.04]	[59.93]
RESERVE	0.208***	0.153***
	[4.767]	[5.179]
LOGCAP		0.132***
		[7.279]
L.AID		
		[3.437]
INDUSTRY		0.00186*

Notes: Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The variations in tax and social expenditure provide a two-by-two matrix which yields an interesting classification of African countries. We see that labour reserve economies are generally high taxation high social expenditure. Most cash crop economies fall into the low expenditure, low taxation categories. Gambia stands out among high taxation cash economies for reasons related to the importance of smuggling and transit goods to Senegal. The low taxation and high social expenditure mostly belong to the concession economies where mineral royalties played an important role.

[25] For Latin America, see Haggard and Kaufman 2008.

Table 5: Classification of African countries by taxation and social expenditure

	Share of social expenditure in GDP	
Share of tax in GDP	**Greater than 5 per cent**	**Less than 5 per cent**
Greater than 17 per cent	Botswana South Africa Zambia Namibia Kenya Lesotho Swaziland	Gambia
Less than 17 per cent	Guinea Cameroon Central African Republic Congo, Dem. Rep.	Burundi Sierra Leone Togo Senegal Niger Uganda Mali Burkina Faso Ghana Madagascar Rwanda Congo, Rep. Benin

Source: Elaborated by author from World Bank data.

To further understand the contributions of individual or group variables to the model's total explanatory value, the countries are divided into two categories: labour reserve and non-labour reserve. The R-squared is then decomposed into contributions of (groups of) regressor variables (table 6).[26] The variables are grouped into four categories: (i) internal demand factors; (ii) internal structural factors or the "Wilensky" structural factors as proxied by INDUSTRY and levels of per capita income (LOGCAP); (iii) globalization factors represented by AID, DEBT, FDI and TRADE; and (iv) political regime proxied by the Polity Index on democratization. In both cases, factors associated with demand for social services are high, accounting for 40.1 per cent in cash crop economies and 66 per cent in the labour reserve economies. This may be a reflection of high reliance on informal provision of social welfare in the cash crop economies. Structural factors play a much more important role in the cash crop economies than in labour reserve economies. In both types, global factors play a significant role although which factors matter differs, with AID being a more significant determinant in the cash crop economy than in the labour reserve economies where foreign direct investment is significant.

[26] The Stata module used is REGO whose decomposition of R^2 is based on Shapley or Owen values. See http://www.uni-leipzig.de/~rego/, accessed on 12 January 2016.

Table 6: Decomposition of social expenditure determinants

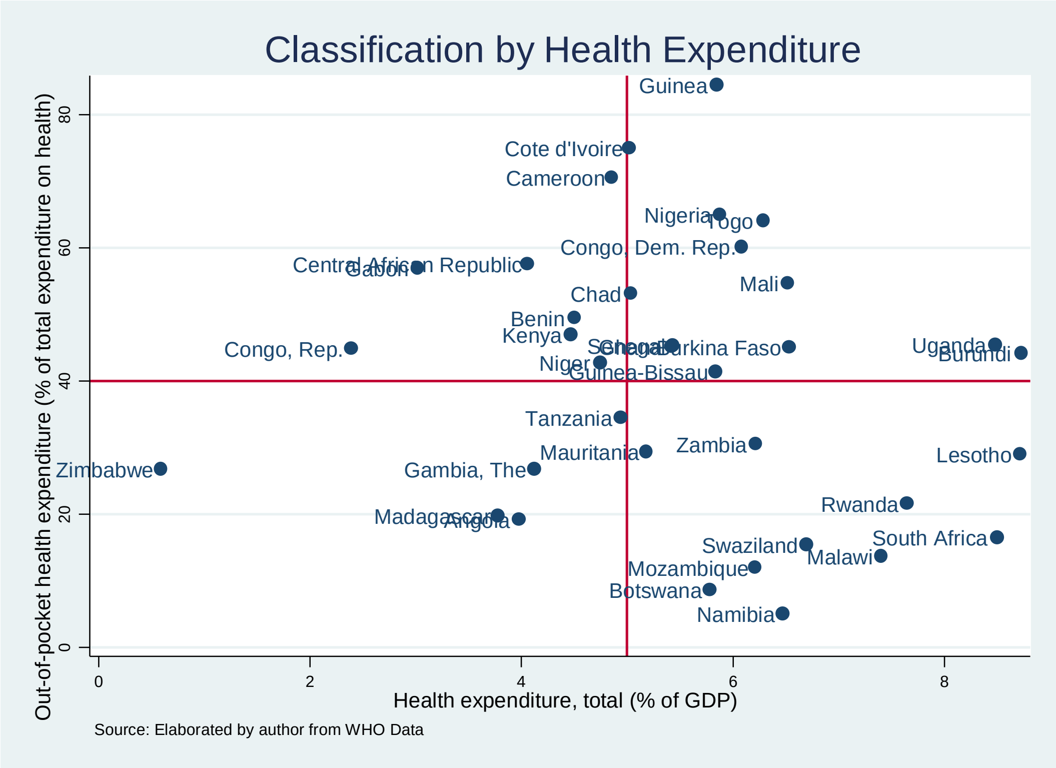
		Cash crop economies		Labour reserve economies	
	Regressor	**Coefficient**	**Shapley decomposition**	**Coefficient.**	**Shapley decomposition**
Demand	DEPENDENCY	–0.0341037	40.7074	–.2280898***	65.5244
	URBAN	–.0434556***		–.2007965***	
	HIVPREV	–.1536005**		.128587*	
Structure	INDUSTRY	–.0538554***	24.6706	0.0761155	3.4682
	LOGCAP	–0.0602261		0.0321674	
Global	AIDGNI	.0367939**	32.5364	0.0640404	28.3927
	TRADE	.0206705***		0.0063561	
	FDI	–.0584297***		.1972561***	
	DEBTSERVICE	–0.0090271		–0.0072235	
Political regime	POLITY	–0.0037563	2.0856	0.0172673	2.6147
	INTERCEPT	10.50931		28.36521	

Social Protection Policies: The Case of Health Expenditure

Overall welfare regime type does not, of course, tell us what exactly happens at every social policy level, a point that some have used to criticize welfare regime classification (Kasza 2002). Kasza notes that although no one contends that every detail of every policy conforms to the same logic, there is often the implicit presumption that most of the key policies will indeed reflect a similar approach to issues of public welfare. Against this view critics have pointed to certain inconsistencies in the behaviour of, or affinities across, regime types. Thus although at high levels of aggregation, the British welfare regime differs from the Nordic "social democratic" one, it shares the same traits in the health sector with its universalistic National Health System.

We do not have detailed data on social policies at sector levels. However, we have data on the health sector at most disaggregated level for social expenditures data available on Africa. I have used this data to further underline the differences in the welfare regimes along the lines of my classification. Following Bonoli's suggestion that welfare regimes can be captured by two dimensions of "how much" and "how" (Bambra 2007; Bonnoli 1997), I plotted two variables—total health expenditure as share of GDP for the level of health expenditures, and out-of-pocket expenditure as percentage of total health expenditure—for the way in which such a level of services is provided (figure 2). The quadrants are derived from the mean values of the two variables. We can identify four "health regimes" in Africa according to levels of expenditure and lack of health insurance. Most of the labour reserve economies are in the bottom right quadrant with low of pocket expenditure and high health expenditure.

Figure 2: Classification by health expenditure



Labour reserves economies have much higher levels of payments from prepaid private plans than non-labour reserve economies, and hence have much less out-of-pocket expenditure as percentage of private expenditure on health. In other words, there is much more private insurance in the labour reserve economies. In sharp contrast, non-labour reserve economies rely on out-of-pocket payments, which often involve informal arrangements. This is partly in line with the much larger share of the informal economy in these countries than in the labour reserve economies (Mkandawire 2010). It also fits with the larger issue of welfare regimes of the respective clusters of countries. In the words of Poullier et al. (2002:12):

> Private insurance tends to be a luxury of either high-income countries or high income households within low-income countries. The importance of private insurance in total health spending depends significantly on the health system's structure. In some countries private insurance is viewed as an integral part of the health system, subject to regulation. In other countries, private insurance is viewed as a luxury good, and either tolerated or encouraged. However, in most countries, private insurance is simply one more segment of a fragmented health system. The importance of private insurance, then, depends on the domestic level and distribution of income, as well as on public policy.

In the literature on OECD countries, the evidence is that the bulk of health expenditure is progressive (Lindert 2004). However, while the labour reserve economies spend more resources on health, one has to bear in mind that the inequality suggested by Gini coefficients permeates the entire social system. Thus while South Africa spends 8.5 percent of GDP on health (the World Health Organization/WHO recommendation is over 5 per cent), this is inequitably distributed among the population. People who belong to private medical schemes form 16 percent of the population and consume over 50 percent of total health care funds.

> In South Africa for example, the legacy of the apartheid system is still relevant in understanding health systems challenges in the country. Private health sector caters mainly for the elitist and richest segment of the population that could afford to purchase private health insurance cover. Only about 15 per cent of the population (mainly the richest part) purchase private health insurance that entitles them to private sector services. The bulk of the population (including the poor) is dependent on an underfunded public sector (Eme Ichoku et al. 2013:305).

In Zimbabwe only 8 per cent of the population are estimated to have private health insurance (Campbell et al. 2000:2) whereas private health insurance expenditure accounts for 19 per cent of total health care spending.

Table 7 shows the different patterns of public health expenditure. These expenditure patterns underlie the health inequalities in Southern Africa. Thus in South Africa, infant mortality rates for African children were more than 10 times those of their white counterparts (Lund 1995).

Table 7: Patterns of health expenditures in Africa

Item	All	Non-labour reserve	Labour reserve
External resources for health as a percentage of total expenditure on health	17.6	16.4	20.7
General government expenditure on health as a percentage of total government expenditure	45.3	40.7	56.2
General government expenditure on health as a percentage of total expenditure on health	9.5	9.3	10.0
Out-of pocket expenditure as percentage of private expenditure on health	72.4	82.4	49.3
Private expenditure on health as a percentage of total expenditure on health	54.7	59.3	43.8
Private prepaid plans as a percentage of private expenditure on health	9.0	2.2	26.6
Social security expenditure on health as a percentage of general government expenditure	3.9	4.7	1.6
Total expenditure on health as a percentage of GDP	5.6	5.7	5.5

Source: Elaborated by author from WHO data.

The implication of the analysis of the health sector is that although not all subsectors of the welfare regime in Africa may conform to the defining norms and institution of the particular regime, there is close affinity between the macro level classification and the sectoral one, suggesting coherence between the different levels of policy.

Conclusion

This paper set out to achieve two things: the first was to identify welfare regimes in Africa that match the classification of African economies according to their incorporation into the colonial system. The "labour reserve economies" emerge as a fairly consistent welfare regime cluster that is distinct from the rest of Africa. This paper has shown that labour reserve economies not only have high "tax effort" regimes but high social expenditure regimes as well, both attributes drawing legacies of colonialism. We have also seen that this classification has a bearing on the health sector level, suggesting the same normative principles at the macro level operate at the sectoral level as well. This implies that the suggested classification of social policy regimes may give a much more consistent and historically grounded classification than other accounts that have used per capita income or geographical location to classify African countries. The paper also provides an answer to the puzzling behaviour of the “Southern African region” alluded to in the literature in terms of the high taxation-social expenditure nexus, the persistence of inequality, the wide range of social protection reforms in these countries and the unusual outcomes of what elsewhere would be progressive policies.

It is striking that 50 years of colonial legacies can be the basis of classifying African welfare regimes. However, colonial legacies are not destiny. Indeed the process of challenging such legacies can be a stimulus to efforts to redress the injustices of the past or to create new institutional arrangements appropriate to current conditions. As noted above, many of the new social welfare reforms are taking place in the labour reserve economies and are generally internally rather than aid-driven. These responses and the welfare policies they entail are part of that historical legacy.

The point about the paper is not so much about continuity of the practices but about the historical basis of both the old and new practices. In policy terms, the analysis allows us to understand the structural constraints on policy. It cautions against “one size fits all” in approaching social policies in Africa. Read in conjunction with work on “tax effort regimes” (for example, Mkandawire 2010) the paper points to the importance of thinking of social expenditure in relationship to domestic resource mobilization, as the UNRISD project on the Politics of Domestic Resource Mobilization-—to which this paper is a contribution—sets out to do. The focus on aid and social expenditure has tended to obscure this important aspect of welfare regimes in Africa.

Finally, the paper points to the need for more refined research of welfare regimes that draws on some of the significant conceptual gains in understanding welfare regimes elsewhere while broadening the scope of measures beyond the Eurocentric focus on social protection. It also underscores the value of historically grounded taxonomic exercises on social policy regimes in trying to understand the diversity of African economies. However, as the paper suggests, data availability remains a major challenge in the classificatory exercises on welfare regimes in Africa.

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