

# The development of “Islamic welfare regime” in South East Asia

## Drawing experiences from Brunei Darussalam, Malaysia and Indonesia

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### Abstract

**Purpose** – Using evidence from Brunei Darussalam, Malaysia and Indonesia, the purpose of this paper is to explore how Islamic welfare regime notion evolves in a South East Asian (SEA) context.

**Design/methodology/approach** – To gain a broad frame of reference in discussing Islamic welfare regimes in SEA, this paper employs a combined political-economic and cultural approach to analyze how Islamic welfare ethics in Brunei Darussalam, Malaysia and Indonesia are developed. The specific criterion used to make a comparative analysis of these countries is an interconnection between four levels of Islamic welfare actors (state, market, community and household/relatives) in providing social welfare.

**Findings** – Malaysia and Indonesia have demonstrated the most balanced form of “Islamic welfare diamond” in the relationship between welfare actors, even as the state-centered welfare initiative continues to be expanded, while Brunei has taken a different route. A monarchical political system underpinned by high economic growth has enabled the state to play a major role in welfare distribution, rather than other welfare actors. For this reason, Malaysia and Indonesia are described as having an “Islamic inclusive welfare regime,” while Brunei is reported to have an “Islamic welfare state regime.”

**Originality/value** – For the purpose of theoretical advancements, there is no doubt that this paper has proposed an alternative framework to developing an understanding of how the Islamic ethical code is articulated in a wide range of welfare configurations within the “South East Asian context.”

**Keywords** Social policy, South East Asia, Political economy, Islamic welfare regime

**Paper type** Conceptual paper

### 1. Introduction

To date, there has been no detailed investigation to recognize the specific characteristics of the South East Asian (SEA) welfare regime. Most scholarly research works on Asian social policy studies tend to generalize the SEA welfare regime by looking at it as an inseparable part of the East Asian (EA) welfare system, which is strongly influenced by Confucian legacy. This has caused the explanation of the unique characteristics of SEA cases to become limited and equivocal.

Although the political order of SEA countries shows similar characters with EA – wherein the existing political foundations of the welfare regimes are portrayed as a hybrid model (Gough, 2004; Chan, 2008; Rodan and Jayasuriya, 2009; Yuda, 2018a) – as well as the

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prevailing economic arrangement exhibits a strong characteristic mixture of *laissez-faire* capitalism with “informal economies within peripheral capitalism” (Gough, 2013, p. 214), it is important to bear in mind the possible bias if it employs Confucian ethical code as a cultural approach to describing SEA welfare systems. This is mainly because there is a small number of exceptions that cannot be extrapolated to SEA countries (will be discussed later in the second part). Croissant (2004) contends that “an approach that focuses on Confucianism seems inappropriate for the comparison of welfare systems in cultural settings that are predominantly Muslim (Malaysia, Indonesia, and Brunei Darussalam), Buddhist (Thailand) or Catholic (the Philippines)” (p. 505). Hence, to avoid making over-generalizations, we must take into account the “unique characteristics of every state [or particular region] through a limited number of types” (Hong, 2008, p. 162).

Concerning this background, this paper suggests an alternative approach to describing SEA-Muslim countries by including Islamic ethical code in the discussion. Specifically, the paper aims to explore how the Islamic welfare regime notion evolves in the SEA context by using Brunei Darussalam, Malaysia and Indonesia as a case study. It is argued that the implementation of Islamic ethical code in the welfare configuration in Brunei Darussalam, Malaysia and Indonesia depends on the political-economic scenario that has evolved in Asia. The paper concludes that the Islamic welfare system in perfect form is no longer found in these countries.

To gain a broad frame of reference in discussing Islamic welfare regimes in SEA countries, this paper uses a combined political-economic and Islamic ethical code approach to analyze how the Islamic welfare ethics in Brunei Darussalam, Malaysia and Indonesia is developed. The specific criterion used to make a comparative analysis of these countries is an interconnection between state, market, community and household/relatives in providing social welfare.

The remaining part of this paper proceeds as follows. Section 2 begins with re-examining critically the Asian welfare regime theory that bases its postulate on three of the main approaches, namely, cultural, political-economic and the combination between them. It is important to re-examine the theory still used by most of the scholars to generalize the Asian countries, including Asian-Muslim countries. This discussion provides a theoretical reason why we need to include Islamic welfare ethics as a postulate of the cultural approach, replacing Confucian ethical code, to understand Brunei Darussalam, Malaysia and Indonesia comprehensively. Moreover, this section becomes a critical point and acts as a frame of reference to understand the structural context that influences the implementation of the Islamic welfare regime in the countries examined.

Section 3 is concerned with the explanation of Islamic welfare ethics as a social foundation of Islamic welfare regime development. Section 4 presents some of the cases from Brunei Darussalam, Malaysia and Indonesia that demonstrate how the Islamic welfare regime in SEA is responding to the shift in the discourse on Asian political-economic transition from a developmental model toward inclusive. Section 5 is the discussion. By identifying the interconnected actors model, this part offers an alternative theoretical framework for understanding the Islamic welfare regime within an Asian context. Finally, the paper concludes that the implementation of the Islamic ethical code articulated in the welfare configurations depends on the political-economic situation that has evolved. This situation eventually resulted in the formation of an Islamic welfare regime in accordance with their respective versions.

## 2. Asian welfare regime theory: a critical rejoinder

### 2.1 Three main approaches

Explanations of Asian welfare regime theory are typically measured by using three main approaches. The first focused on a cultural approach initiated by Jones (1993) in her influential work entitled “The Pacific challenge: Confucian welfare states.” By using cases of

Japan, China, South of Korea, Taiwan and Hong Kong, Jones attempts to understand the role of Confucian ethics as “rationale behind the emphasis on the family [and community]” (Kwon and Yi, 2009, p. 779) in order to provide social welfare (Shin and Shaw, 2003; Walker and Wong, 2005; Goodman and Peng, 1996) as well as “increase self-reliance of the poor households and social groups in dealing with many social problems” (Yuda, 2018a, p. 6). From her observation, Jones draws an argument that “all these countries are broadly subject to sets of common precepts, values, prohibitions’ deriving from popular Confucianism, a belief system which posits the existence of the impermanent individual in relation to the enduring social whole that is constituted by the hierarchical family and community” (Dean and Khan, 1997, p. 195).

Although Jones’s work was considered to be important as a gateway to understanding Asian welfare studies, the account has not escaped criticism from scholars. One of the criticisms is that the cultural approach was “not able to establish whether EA welfare regimes represent a single unified categorization and whether economic interests were masquerading behind a veil of culture norms” (Papadopoulos and Roumpakis, 2017, p. 860). To refine the gap, other scholars (Holiday, 2000; Holiday and Wilding, 2003; Aspalter, 2006) sought to identify the Asian welfare regime by using political-economic approaches that suggest that the model of Asian welfare development appears to fit productivist welfare. This term was first coined by Holiday, who bases his analysis by reviewing many works reporting that “many Asian countries [including SEA] were able to keep the level of social expenditure down to an average of 4% to 5% in 1980 and 10% to 15% in 2000” (Chan, 2008, p. 302). As revealed by Croissant (2004), “low levels of government investment in social policy, underdeveloped formal systems of social security and the fundamental importance of the family and community-based social safety nets are explained as the consequences of a culturally bounded view of state and society, based on the continuous relevance of Confucian social ethics” (p. 505).

While “social welfare provision is confined to ‘productive’ parts of the population, in particular, regular workers in key industries” (Fleckenstein and Lee, 2017, p. 1), Kwon, through detailed analyses of the successful and rapid economic development in Korea and Taiwan, tends to prefer associating it with a “developmental welfare state.” Kwon (2005) defines a developmental state as a “set of social policies and institutions that are predominantly structured for facilitating economic development” (p. 2). Here, “economic development is given priority over other spheres of public policy, and the national economy as a whole has priority over the comparative advantage of particular industries” (Kwon, 2005, p. 4).

Nonetheless, it should be noted that the use of the separate approach to explain Asia will diminish the understanding of diverse uniqueness from individual states (Hong, 2008). For this reason, now we should move to the third approach that combined prior approaches to exploring the welfare regime in Asia. The approach highlighted the institutional traits, political structure and welfare outcome (Croissant, 2004) in which states, markets, community and households interact in the provision of well-being (Gough, 2004). The last approach enables us to explain the slow decline of the Confucian value by observing how Asian countries shift from the productive and developmental model toward a redistributive, inclusive, universal, protective, quasi-formal model, or still retain the prior model (Goodin, 2001; Kühner, 2015; Abrahamson, 2016; Yang, 2016). This explains why many international development agencies such as ILO, WHO and UNRISD stress universalization of social policies as a key priority of their international development (Kühner, 2015).

### *2.2 Past analysis critiqued*

Having discussed the Asian welfare regime in multiple approaches as well as cases that serve as supporting evidence for building a postulate of the existing approaches, now we understand that only political-economic approaches are still relevant to be fully used as an analytical framework for describing Asia. This is because the cases used in building this

approach have also occurred in most of the Asian countries in the same period, while cultural approaches may not be generalizable to a broader range of Asian countries because the methods used to select cases are restricted by the Confucian ethical code, which appears only to fit EA countries and Singapore but is inappropriate to extrapolating Asian countries because in these countries the cultural setting is predominated by Muslims, such as in Brunei Darussalam, Malaysia and Indonesia.

Although there is a similarity between Confucianism and Islamic values related to welfare ideas such as intergenerational income pooling transfer, wherein the breadwinner incomes serve to underwrite the livelihoods and risk management of whole family networks, nonetheless, there is a specific characteristic that makes Islam different from Confucianism. Islam stresses on transcendental certainty in all aspects, including “responsibility for governance is delegated by Allah (God) to the entire community of the faithful or the *Ummah* (mankind)” (Dean and Khan, 1997, p. 196). It advocates that automatically welfare provision should also be produced in all sectors of welfare diamonds in a balanced way. As such, the universal social policy in the ethics of Islamic welfare is a must to be achieved, while in Confucian teaching, by contrast, universal social policy is viewed as a structural factor that potentially undermines the Confucian tradition. This is mainly because Confucian teaching prioritizes and has greater reliance on the role of the family and relatives rather than the state and market (see Figure 1).

Hence, the third approach, which has been claimed by many scholars to be the most comprehensive one to use, eventually also suffers from contextual bias. In light this, I propose a mixture of the two previous approaches: that is, to extend the relevance of the third approach so that it can be extrapolated to SEA countries that are predominantly by Muslim cultural settings, we need to refine it by adding Islamic welfare ethics. Before demonstrating the Islamic welfare regime by using empirical cases from Brunei, Malaysia and Indonesia, it will be necessary to discuss the basic understanding of Islamic welfare ethics as an alternative theoretical framework based on the cultural approach that has been used simultaneously with the political-economic approach in a subsequent part.

### 3. Islamic ethical code on welfare arrangements

In Islam, the idea of welfare relies on the *Quran* (the holy book of Muslim) principles that emphasize that every individual has the right to get a better life. What is interesting here is that this individual right is also the collective responsibility of all members of society as a

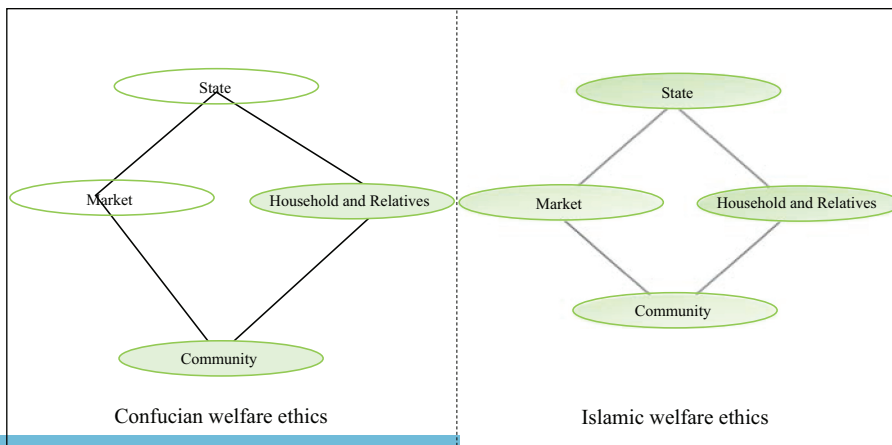


Figure 1. Asian welfare diamonds: Confucian and Islamic welfare ethics in comparative

form of Islamic welfare ethics. As such, Islamic welfare ethics can be portrayed as an individual's behavior that has a responsibility of performing welfare services and producing welfare in terms of creating social solidarity for the *ummah* (mankind).

This ethic is manifested in the form of zakat. Zakat has been understood as a religious obligation that requires Muslims annually to donate 2.5 percent of their wealth to a certain category of a group called *mustahik* (refer to *Quran* (9:60)), which is divided into the following categories: *fuqara* (the poor), *al-masakin* (the needy), and those employed to collect (the funds), to attract the hearts of those who have been inclined (toward Islam) and to free the captives, and for those in debt, for Allah's cause and for the wayfarer. This philanthropy scheme serves as the foundation for establishing social solidarity, and is main feature of Islamic welfare provision, which has been institutionalized for a long time as the socio-economic instrument addressing poverty alleviation and in its cardinal vision, i.e., fraternity and freedoms. "From the spiritual point of view, its payment purifies and cleanses the payer from greed, selfishness, arrogant, and so forth. as [form of] giving something he or she loves (i.e. wealth) only to attain blessings from Allah" (Bakar, 2008, p. 91).

To broaden the horizon of Islamic ethical code understanding in the discussion on Islamic welfare regimes, it is worth to revisit Gough's (2004, 2013) conception about welfare mix as a theoretical instrument that looks at the Islamic welfare ethics not only confined to individual or community action but also encompassing market and state. The term welfare mix alone refers to "complex interconnection of main social institutions such as the state, market, communities and households simultaneously provide social support" (Kusujarti, 2012, p. 420). It represents a common characteristic of Asian welfare system involved differently than western industrialized countries.

Islamic welfare ethics in free-market capitalism is expressed in its high commitment to "supports wealth creation and enterprise, [but prohibits] exploitation and to the hoarding of wealth. [Besides, Islamic teaching is also] expressly condemns as usury: the lending of money at interest" (Dean and Khan, 1997, p. 203). In Islamic welfare ethics, lending money principles must be based solely on the intention to help each other, not take advantage of the difficulties of others to make a profit. To avoid usury, Muslims developed a sharia (Islamic canonical law) financial system, which benefits the borrower and the lenders. This sharia financial system is manifested in "developing risk-sharing networks in which financiers acquire shares in businesses and must share the profits [to lenders] if the enterprise succeeds, and the losses if it fails" (Dean and Khan, 1997, p. 203). In the context of SEA, Malaysia has shown remarkable developments in the "Islamization" of conventional banking and social insurance since the 1980s (Noor and Rahman, 2016).

At state level, the Islamic ethics in welfare arrangements is displayed by the establishment of the Islamic welfare state that uses zakat as its resource funding. zakat has a similarity of function with tax, and both zakat and tax are designated in encouraging redistribution of wealth among people, prevent the capital accumulation in certain groups and promote well-being. This argument is supported by historical facts showing that in the early period of the development of Islamic society Muslims were required to pay zakat as a religious obligation as well as a symbol of moral duty to obey the government (Latief, 2013).

Nonetheless, in the modern state conception, the ethics of Islamic welfare at state level appears only in a few cases with limited scope as displayed by Brunei Darussalam, which we will discuss in the subsequent parts, while for other SEA countries, such as Malaysia and Indonesia, the ethics of Islamic welfare is placed and articulated by no longer than just a norm that influences state order in a semi-formal way, rather than formal laws. Consequently, zakat configuration in providing welfare is also used as complementary, rather than the main one, which is mainly found in Malaysia, Indonesia has adopted the democratic governance system (albeit still rudimentary and shadowed by semi-authoritarian political pitfalls), and tax and compulsory dues as resource funding for social welfare provision. In coincidence with the

advent of “Asian spring” waves on two last decades, both of these countries have launched the Bismarckian social insurance system, which was followed by the establishment of sharia social insurance system to accommodate middle-class Muslim preferences on halal (permissible by Islamic law) products’ demand in daily life.

“Islamic welfare regime” in South East Asia

#### 4. A depiction of Islamic welfare regime in South East Asia

As was pointed out in the introduction, to gain further understanding of the welfare regime in Brunei Darussalam, Malaysia and Indonesia, we also need to go beyond the Confucianism ethical code and revisit the Islam as the epistemological basis to explore these countries comprehensively. Additionally, the previous two sections have also been discussed about the fundamental differences between Confucian and Islamic ethical codes in welfare arrangements. Thus, the existing mainstream approaches that are employed for accounting the Asian welfare regime must be refined by adding the Islamic perspective to lead to a better understanding in making an analysis on Islamic welfare regime in the SEA. The following cases from Brunei, Malaysia and Indonesia demonstrate how the ethics of Islamic welfare is manifested ranging from the array of the state to the community and family levels by following Gough’s concept about welfare mix theory. It is regarded as the foundation for further analysis in the discussion and conclusion part.

##### 4.1 Brunei Darussalam

Brunei Darussalam – also known as Malay Islamic Monarchy (Melayu Islam Beraja) – is one of the SEA countries that have the longest experience with the “generous” welfare provision. It places Brunei Darussalam in the very high human development index category for many years (UNDP, 2018).

Historically, the Bruneian welfare regime flourished rapidly by 1977 when the National Development Plan had reached the midpoint. It is also the most critical juncture in Brunei’s history as a new economic power in SEA that heavily relies on gas and oil sectors. This opportunity was used by the Government of Brunei Darussalam to embark on expanding the free educational provision for all children (Crosbie, 1978) and uplift the standard of living of Brunei Darussalam citizens by ensuring them with free medical services. After Brunei Darussalam achieved full independence in 1984, the Sultan Hassanal Bolkiah implemented Islam as the state ideology. Since then, entire state policy arrangements, including social protection, have been set up based on Islamic principles and values. Even the educational service is also equipped with Islamic learning that is believed will strengthen Islamic ideology in daily life.

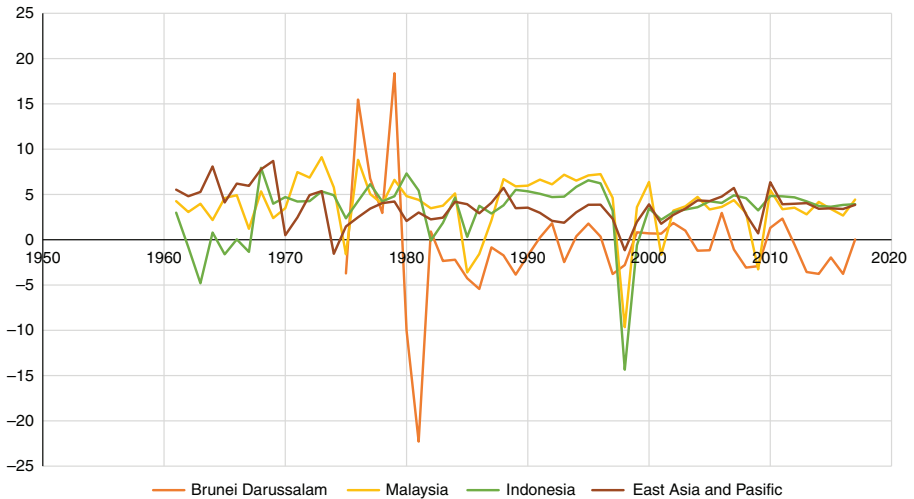
Nevertheless, the state centrality practiced by the government, including in politics and religious interpretation, eventually has made the opposition or civil society power weak (Müller, 2018). According to Yousif (2000, p. 6), “there are only a few non-governmental Islamic religious organizations in the country” such as “Sultan Haji Hassanal Bolkiah Foundation (YSHHB), Pengiran Muda Mahkota Al-Muhtadee Billah Fund for Orphans (DANA), Brunei Islamic Religious Council (MUIB)” (Morsid and Abdullah, 2014, p. 34).

Moreover, Social Policy Administration (2010) also reported that in coincidence with free educational improvements in 1984, the government also issued a law on the universal pension age system, then refined it 2010. Besides, Cheung (2016, p. 6) also summarized the Hong Kong bank report in 1990 about Brunei Darussalam, which highlighted that at the time “there is no personal income tax, medical services and education to tertiary level are free, pensions are non-contributory, and there are subsidies for rice and housing.” This continues till today and makes “Brunei the highest-ranking Muslim majority country in the UN Human Development Index” (Müller, 2017, p. 200). Besides, during the 1990s there has been a rapid increase in sharia economic institutions in Brunei; some of them are Tabung Amanah Islam Brunei (TAIB) established in 1991, Islamic Bank Brunei and TAIB Islamic Insurance. The last two were established in 1993 (Yousif, 2000). Additionally, the Government of Brunei Darussalam,

with the help of the Department of Community Development (JAPEM) in 2011, launched the Perkasa Program. The main aim of this program “is to help the target group to change their attitude and mindset from relying wholly on welfare assistance in order to avoid problems of not meeting their daily expenses needs. Loans will be given according to their business plan that is presented and is based on Qard al-hasan (needy students, farmers, small producers, entrepreneurs and economically weaker members of the society, who are not received any financial assistance from any other institutional sources), thus the loan will be given out without interest, guarantor or collateral” (Morsid and Abdullah, 2014, p. 7). This program is designed to institutionalize Islamic value in the daily life of Bruneian society.

Brunei’s experiences, as shown above, are in contrast with EA and most of its SEA counterparts, which in the span of 1970s to 1990s were still maintained productivist features (Holiday, 2000; Goodin, 2001; Goodman and Peng, 1996), even as they are enjoying high economic growth. This interesting case from Brunei Darussalam demonstrates that the universalization of social protection in Brunei Darussalam is not necessarily associated with the declining of familistic mechanism, as is assumed by most scholars who base their arguments by using EA evidence. By purposing a different interpretation, I argue that the universalization of social policy in Brunei Darussalam is part of the state’s transcendental mission for socio-economic justice, solidarity and individual freedom, as a manifestation of the Islamic ethic code on welfare configurations (Figure 2).

Compared to Brunei Darussalam, Malaysia and Indonesia show different pathways. Even though the societal structure of these countries is predominantly Islamic, they also recognize (semi) democracy as their political rule. Thus, there is little wonder that there is a combination of the great influence of Islamic teachings with other norms. Particularly, Indonesia is the world’s most pluralistic country, which has absorbed all growing religious values as the forming element of state ideology (*Pancasila*). As noted by Sirojudin and Midgley (2011), seven centuries ago, “Islamic teaching has been growing gradually became the predominant faith, but also accommodate other religious traditions such as Christian, Hindu, Confucian and Buddhist minorities, and many tribal people living in remote areas are animists, [then] creating a syncretic and tolerant culture” (p. 123). Hence, the question inevitably arises as to how the expression of Islamic welfare ethics is displayed in the welfare configuration in these countries.



**Figure 2.**  
GDP per capita growth  
(annual %)

Source: World Bank (2019)

#### 4.2 Malaysia

Unlike Brunei Darussalam, although the social policy in Malaysia was established earlier than other countries in SEA, Malaysia has a similar pattern with its counterpart countries in terms of universal social security development. It began in 1951, where Malaysia established a mandatory savings scheme for private workers and civil servants, which is known as Employee Provident Fund (EPF) (Ramesh, 2004). Once an amendment was made in 1991, the Malaysian Government extended EPF benefits by adding lump-sum benefits and social insurance system for disability.

Another important social policy feature is the employment insurance system administered by the Social Security Organization (SOCSO). It was established together with the New Economic Policy that designated to “reducing Malay poverty, providing educational, training and business opportunities to the Malays, and stringently regulating non-Malay (including some foreign) businesses” (Hadiz and Teik, 2011, p. 473). SOCSO provides social insurance coverage, including medical care and financial benefits and protection to the family members of company employees (Noor and Rahman, 2016). Similar to the EA countries, during this phase, Malaysia exhibited strong productivist elements where government social expenditure was focused on primary education and primary health care (Gough, 2013). Meanwhile, a central role for the family and community was encouraged to provide social welfare for their members who were not covered by state-based social protection. Croissant (2004) has pointed out that the importance of self-reliance, and mutual support that were produced by family and community was the best way to provide welfare outcomes in this country.

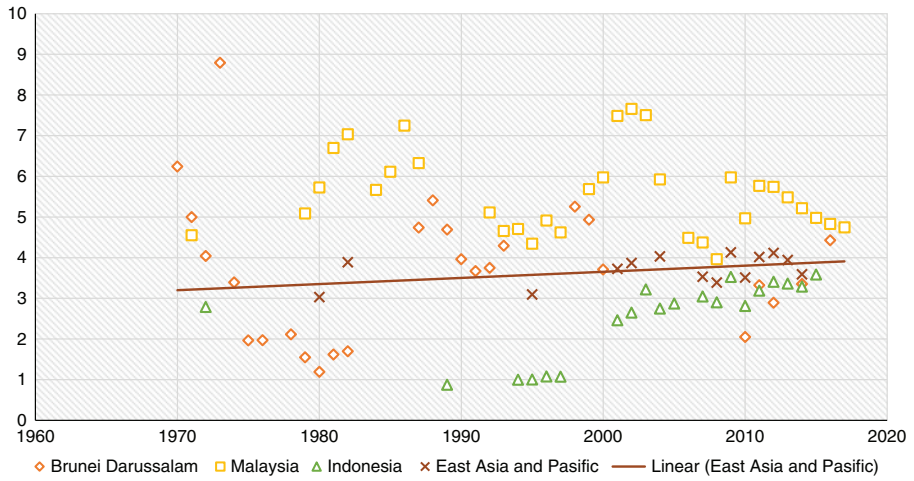
It is imperative to note that, in Malaysia, the Muslim community has a pivotal role in its contribution to providing basic welfare service. A recent study conducted by Osman and Saleem (2016) reported that since 1960, the UMNO party-led government had sponsored several Islamic organizations such as The Tabung Haji (Pilgrim’s Fund organization) and Islamic Welfare Organisation (Persatuan Kebajikan Islam Malaysia). They enhance their autonomy and flexibility by providing education, social care and support to Muslims in Malaysia to perform pilgrimage to Mecca.

Besides, by the 1970s several Islamic organizations established by the civil society increasingly emerged focusing on *da’wah* (preaching of Islam) activities and social philanthropy activities. One of them is the Malaysian Islamic Youth Movement (Angkatan Belia Islam Malaysia (ABIM)). ABIM is a new Malay urban middle class that composed of graduates of students, civil servants and professionals who work together with their “efforts at building an Islamic society in economically self-supporting settlements” (Hadiz and Teik, 2011, p. 474). Still, ABIM works by providing various social welfare facilities for the community, particularly in education, as well as actively promotes and strengthens democratic values in Malaysia (Freedman, 2009). The other prominent Islamic civil organization was Darul Aqam, which in the mid-1970s was considered a successful organization in establishing Muslim civilization in Malaysia before it was ultimately banned by the Malaysian Government in 1994. According to Freedman (2009, p. 116), “they (Darul Aqam) set up social service organizations, schools, and a base for grassroots organizing that would become so successful that they expanded overseas.”

As portrayed by Osman and Saleem (2016), “these Islamic organizations acted collectively to lobby governments to adopt Islamic values into [state] policies” (p. 1). This was more visible along with the federal government’s efforts in launching Islamization policies by the early 1980s through the establishment of shariah banks, the International Islamic University of Malaysia and an Islamic insurance company (Freedman, 2009; Hadiz and Teik, 2011). This Islamization continues to be maintained and escorted by various elements of the Muslim community that shapes ethical considerations in the contexts of welfare policymaking, including the advent of EPF and SOCSO sharia in recent times that co-exist with the existing EPF and SOCSO (Noor and Rahman, 2016) (Figures 3–5).

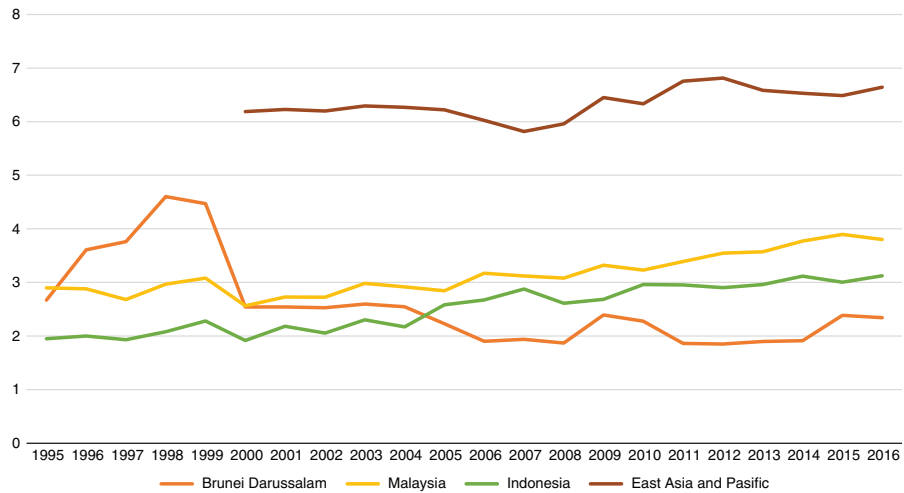


**Figure 3.**  
Government  
expenditure on  
education, total  
(% GDP)



Source: World Bank (2019)

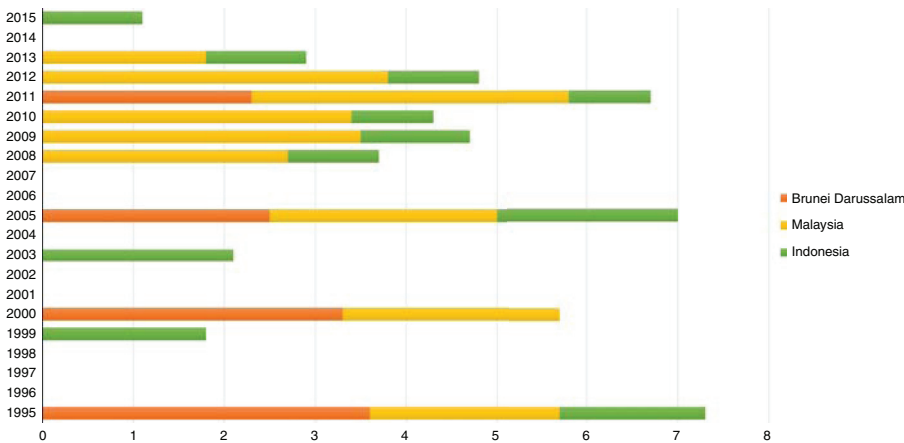
**Figure 4.**  
Current health  
expenditure (%  
of GDP)



Source: Gapminder.org (2019), World Bank (2019) and WHO (2019)

### 4.3 Indonesia

Turning now to the evidence from Indonesia. Indonesia's first social security was established by 1963 in the form of a pension insurance scheme (Tabungan Asuransi Pensiun) for civil servants. In 1968, President Suharto expanded its coverage and benefits for civil servants and the military by adding medical care features (Badan Penyelenggara Dana Pemeliharaan Kesehatan), which was followed by the establishment of a pension insurance for the military (Asuransi Sosial Angkatan Bersenjata Republik Indonesia) in 1973. Along with the rapid economic growth in the span of 10 years from the 1970s to 1980s, the Government of Indonesia re-expanded its social security to the private sector through employment insurance (Asuransi Tenaga Kerja).



Source: ILO (2017) and Asian Development Bank (2019)

Figure 5. Public social protection expenditure (% of GDP)

Similar to Malaysian experiences, at this period, Indonesian welfare systems took the form of Holiday’s productivist regime model, where social policies’ paradigm was designated to improve the capability of a productivist population through a series of block grants program and micro-credit schemes to encourage entrepreneurial opportunities for poor household (Yuda, 2018a). The need for social risk management of the informal sector relied on the market, family and community, including Islamic community that also plays a complementary role in providing social welfare to the society goes hand in hand with a government in a limited scope. The “sharing zakat” has been embedded not only as part of the religious obligation but also absorbed as the local tradition of Indonesian Muslim society which was mostly managed by mosques and some are given directly to the needy. A research conducted by PIRAC from 2000 to 2004 showed that an average 65 percent of the Indonesian Muslim population distributed their zakat to zakat committees in their neighborhood, which commonly affiliated with mosques. Meanwhile, those who gave zakat directly to the needy reached 28 percent in 2000 and 20.5 percent in 2004, respectively (Kusujiarti, 2012).

In a wider Muslim organizational level, such as Nahdatul Ulama also undertook welfare activities in the form of schools spread across Indonesia. Additionally, Muhammadiyah as the second largest Muslim organization in Indonesia has also had nearly 10,000 educational institutions of various types, and 3,775 health and social welfare clinics spread across the country (Freedman, 2009). Beyond the social welfare activities, many Islamic non-governmental organizations actively pushed the government to recognize the Islamic welfare system into the national constitution. According to Kusujiarti (2012, p. 424), “one of the most important steps for this effort took place between 1967 and 1969 [when] Islamic groups had relatively stronger bargaining positions within the regime, not only because of the fledgling stage of Suharto’s administration (who came to power in 1966).”

By 1998, the Asian financial crisis that hit Indonesia has contributed to an increase in absolute poverty from 14 percent to almost 30 percent, which ultimately brought down Soeharto political order that has persisted for more than 30 years. Responding to the economic crisis and political instability throughout the country, Soeharto’s successor, BJ-Habibie, rolled out several targeted, selectively social protections to poor households, i.e. labor-intensive public work programs, educational scholarship, health initiatives, rice subsidy for the poor and so forth under Social Safety Nets program. It was followed by the decentralization policy in 1999

that addressed the social-economic problem more effectively. In coincidence with the enactment of decentralization policy, the law No. 38/1999 regulates the issuing of zakat provision. This was a critical juncture in the Indonesian history wherein the zakat officially became a positive law recognized by the government as part of the national welfare system. This law only “facilitated” Muslim community to pay zakat through established National Zakat Administration Committee (BAZNAS), which was responsible for collecting zakat among Muslims and then redistributing it to the needy. Even so, there is no sanction whatsoever for those who do not pay it.

Five years after the decentralization policy was launched, in 2004 the government of Indonesia enacted a national social security system law, which designated to integrate prior fragmented social security schemes into one single administrative body (Sistem Jaminan Sosial Nasional (SJSN)). By 2014, SJSN was officially launched and it administered universal health insurance (BPJS-Kesehatan) and employee insurance (BPJS-Ketenagakerjaan) for all citizens (Yuda, 2018c).

Surprisingly, over the last two decades, the discourse of Islamization in Muslim’s daily lives, including social welfare aspects, was more visible, along with the growth of the Muslim middle class in Indonesia. Many observers noted that the wave of this Islamization in Indonesia is marked by the emergence of elite Islamic schools, Islamic banking and the high demand for Islamic products (Jati, 2017). In addition, to respond enthusiastically to the Indonesian Muslim middle class, the government now plans to launch the BPJS-Sharia program soon. Similar to Malaysia, in the future, Indonesia will ultimately have two types of national social security products, namely conventional and sharia.

## 5. Discussion: evolving Islamic welfare regime model within the (South East) Asia context

This section aims to evolve the Islamic welfare regime model in the context of SEA and Asia broadly. It was undertaken by comparing the interconnection between four of the Islamic welfare actors (state, market, community and household/relatives) in articulating the Islamic welfare ethic in the countries examined.

Traditionally, categorization of the interconnection actors within a welfare regime discussion refers to the Esping-Andersen’s (1990) welfare triad of state. This categorization is built based on an institutional landscape of the welfare mix of market, state and family, which differentiates from the groups of Liberals, Corporatists and Social Democrats according to their respective paths (Gough, 2004). After such model attracted some heated critique from among scholars, this classification eventually continues to be examined and revised depending on the social and cultural context of a particular country or region.

In the Asian context, the actor interconnection model related to welfare distribution has been recently classified by many scholars (Holiday, 2000; Lin and Wong, 2013; Kühner, 2015; Yang, 2016) into different model types, i.e. productivist, developmental, inclusive, redistributive and protective. Contrary to Esping-Andersen’s welfare triad of state, these categorizations suggest community as one of the pivotal actors in the welfare mix discussion.

Nevertheless, the current model of Asian welfare is suffering from a bias of context in extrapolating from Brunei Darussalam, Malaysia and Indonesia. For this reason, the author comes up with an Islamic welfare model as an alternative framework. The Islamic welfare model in the ideal form displayed the interconnection actor model in a balanced way, with an emphasis on Islamic value as the main path-dependence factor. However, the manner of its implementation varies depending on the complexity macrostructure (political culture and economy) adopted by the individual state.

As demonstrated in the previous section, Brunei Darussalam can run the Islamic welfare ethic at the state levels in its optimal forms. It can be occurred because a combination between a monarchical political system and high economic level achievement has enabled

the state to play a major role in welfare distribution (see Figure 6) since the 1970s. In related to “the welfare outcome,” the case of Brunei Darussalam reflects Esping-Andersen’s welfare state regime features. The social-political foundation of welfare regime building of this country is relying on comprehensive Islamic values that become “ethical considerations in the contexts of social policy-making and its implementation” (Yuda, 2018b, p. 143). For this reason, Brunei Darussalam can be categorized as “Islamic welfare state regime” – rather than productivist, protective and inclusive welfare regimes as having proposed by most scholars. The term of Islamic welfare state regime is invented to describe the importance of state-centered welfare initiative has continued to thrive, and design of social welfare policy has remained universal, while an entire set of welfare arrangements adopted is following the Islamic rules.

While Malaysia and Indonesia have a different context, drawing on the detail explanation in the previous section, the productivist period in the 1970s has opened wider-space for non-governmental Islamic organizations, Muslim family and Islamic finance institution to involve in welfare configuration. Consequently, Islamic welfare configuration at this period was also run following the productivist welfare system.

After the Asian economic crisis hit both of these countries from 1997 to 1998, there is a shift in the discourse on welfare regime characteristic from productivist toward inclusive. It showed by the advent of the political commitment of Governments of Malaysia and Indonesia to embark on ambitious universal coverage initiatives as well as several inclusive programs that focus on social investment. This transition was also accompanied by introducing of sharia universal social insurance that now still in establishing. Nevertheless, Malaysia and Indonesia cannot be categorized as Islamic welfare state regimes as occurred in Brunei Darussalam. It is because non-state actors such as non-governmental Islamic religious organizations, Islamic market insurance and family and relatives continue to play a pivotal role in the wider-ranging of welfare configurations, even as state-based welfare system on large scale has introduced. This more visible along with the advent of the democratization and globalization waves in these countries that pumped a series of collaborative governance initiatives and welfare pluralism. This eventually implies against to the interconnection pattern of Islamic welfare actors in Malaysia and Indonesia in providing social welfare. If compared to Brunei Darussalam, they have demonstrated the most balanced form of “Islamic welfare diamond” in the relationship between of four sectors (the state, market, household and relatives, and the community) (see Figure 6).

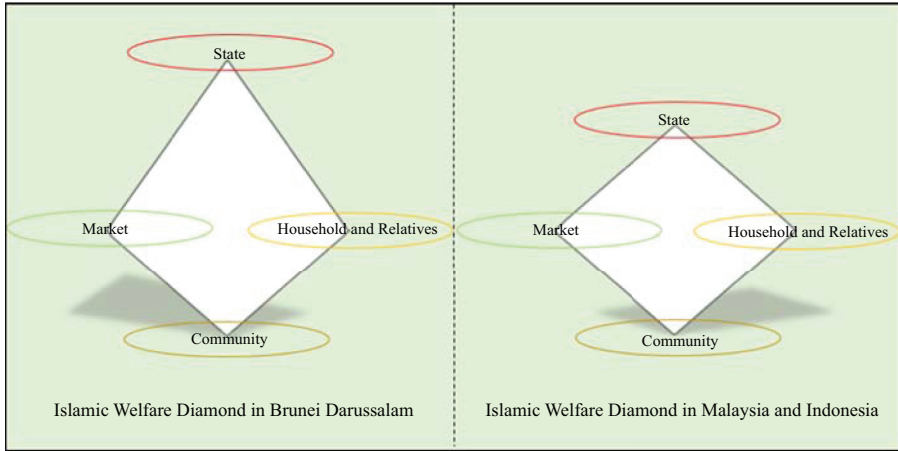
From the succinct explanation above, we can categorize Malaysia and Indonesia as Islamic productivist welfare regime in the period of 1970s–1990s and Islamic inclusive welfare regime after the years of economic crisis. Islamic productivist welfare regime reflects a set of situations where Muslim family, Islamic non-governmental institution and Islamic market are organized to reinforce the grand design of the productivist system, while Islamic inclusive welfare regime describes a situation where Islamic universal social policy introduced over or alongside the existing universal social policy.

## 6. Conclusion

By using evidence from Brunei Darussalam, Malaysia and Indonesia, this paper has succeeded in exploring how the Islamic welfare regime notion has evolved in SEA. The exploration of this topic departs from a succinct review on the scholarship on the Asian welfare regime theory and uses it as a frame of reference to understand the structural context that influences the implementation of the Islamic welfare regime in the countries examined.

Understanding the structural context, however, will lead us to the conclusion that SEA-Muslim countries have lost their exceptional feature of the Islamic welfare system in its perfect forms with the blossoming of rapid industrialization, globalization and democratic transition, as it gave rise to a new interpretation of the Islamic welfare ethic. Consequently,

**Figure 6.**  
Islamic welfare  
diamonds in South  
East Asia



even though the influence of the Islamic ethical code in Brunei, Malaysia and Indonesia in shaping the welfare configuration is exhibited strongly, such countries have maintained a different articulation in manifesting their Islamic welfare regimes depending on the political-economic scenario that has evolved. This situation eventually resulted in the form of an Islamic welfare regime that is in accordance with their respective versions.

Such a statement is supported by findings that pointed out that Brunei Darussalam reflects strong features of the “Islamic welfare state regime,” while Malaysia and Indonesia demonstrate two variations of its welfare regime model in different versions, namely, the “Islamic productivist welfare regime” in the period of the 1970s to 1990s and the “Islamic inclusive welfare regime” afterward. These categorizations are built based on interconnection between four levels of Islamic welfare actors (state, market, community and household/relatives) in providing social welfare. The Islamic welfare state regime reflects two of the main characteristics. First, the importance of state-centered welfare initiative and the design of social welfare policy is taking the universalist route. Second, an entire set of welfare arrangements adopted is following the Islamic rules, while the Islamic inclusive welfare regime describes a situation where Islamic universal social policy is introduced over or alongside the existing universal social policy.

For theoretical advancements, there is no doubt that this paper has offered an alternative framework for the exploration of Islamic welfare regime through a comparison of Brunei Darussalam, Malaysia and Indonesia as cases that have been traditionally understudied in the wider understanding of Asian welfare regimes. Nevertheless, this paper has a limitation that needs to be refined for future research, namely, identification of the possibility of Islamic welfare diamond changes along with the advent of Islamization of universal social protection, which was marked by the establishment of the shariah universal social security in Malaysia and Indonesia. Moreover, to expand our knowledge, it is worth comparing our findings with other regions that have differences or are similar to SEA’s political economy trajectories.

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