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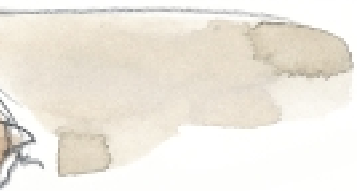
SOCIAL POLICY AND WELL-BEING



INTRODUCTION

Social development aims to enhance people's welfare, as well as social cohesion and social justice. As such, it is integral to overall development. All too often, however, economic and social development have been juxtaposed as a trade-off: development has been interpreted narrowly in terms of economic growth and pursued primarily via economic policies, which are considered a shortcut to attaining social goals. Such a perspective is not only theoretically contentious, but public policies based on this premise have often had disastrous impacts on both social and economic well-being in many developing countries.

Social policy, broadly defined as state policies and practices that directly influence the welfare and security of various groups within a particular society, has often been sidelined in mainstream policy-making circles linked to both governments and multilateral organizations. This chapter examines the marginalization of social policy, the social effects of certain contemporary macroeconomic policies, and the ways in which welfare provisioning has been affected in recent decades.

THE MARGINALIZATION OF SOCIAL POLICY

Since the 1960s, the efforts of UNRISD and other United Nations agencies to raise the profile of social development issues have involved an uphill struggle. When the Institute was established, intellectual currents that neglected social policy—if not explicitly opposed it—exerted a strong influence. Various strands of such thinking held sway in policy-making circles. One, the libertarian view, argued that state intervention to improve social conditions constituted interference with individual freedom. Another, based on efficiency logic, maintained that state intervention for economic or social development would necessarily cause inefficiencies. Also prominent was the assumption that social development was an inevitable by-product of economic progress: some groups would benefit more from growth, but social benefits would necessarily flow, or trickle down, to those in need.

The perception and reality of methodological and data constraints also contributed to the marginalization of social policy. Economists who dominated mainstream development planning in the 1960s appeared to have the backing of "hard" data to reinforce their analysis and recommendations, whereas the proponents of social policies did not. Some social data (like economic data) were, indeed, extremely poor. New methodologies were required to overcome the limitations of indicators

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NETS, AND RATHER THAN AS A SECTOR THAT SHOULD BE 'RELIEVED' OF TAXES AND STANDARDS PROTECTING THE ENVIRONMENT AND WORKER RIGHTS."

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such as gross domestic product (GDP) per capita and income distribution studies that were used to illustrate levels of welfare. Conventional approaches tended to focus on monetary income rather than levels of living, and abstract or artificial categories rather than real groups. It was assumed that poor data were part of the reason why policy makers marginalized social dimensions (Wolfe 1981, 1996).

In response to these concerns, UNRISD embarked on a two-pronged inquiry into the measurement of social development (see box 2.1) and the relationship between economic and social development, including ways of better integrating economic and social policy. Early members of the UNRISD Board, including Nobel Laureates Jan Tinbergen and Gunnar Myrdal, encouraged work on these issues.

The research on measurement exposed many of the problems that characterized data gathering and analysis, and proposed ways of improving social indicators. It also attempted to reveal correlations between economic and social development, and distinguish different patterns of development or levels of living. By highlighting regional and national variations in a range of indicators, this approach fundamentally questioned the assumption, prevalent at the time, that development involved a linear process or evolved in stages. It also challenged the work of some other UN statistical offices, identifying weaknesses in the data and methods used to prepare annual statistical yearbooks, and proposing an alternative to the use of composite indices. UNDP, for example, first calculated the Human Development Index in 1975. This served the useful political purpose of raising the profile of social development in international policy-making circles. But UNRISD work questioned the use of a composite index, combining just a few indicators, as a proxy for socioeconomic development. Instead the Institute promoted other methods that used up to 19 indicators based on variables that had been screened for reliability. These indicators were used to construct development profiles of individual countries. A line connecting the different variables provided an indication of a country's level and pattern of development at a particular time.

Box 2.1—UNRISD research on measurement and indicators

In the 1960s, there was a strong quantitative orientation in much of the international economic development work. UNRISD concentrated on building up corresponding measurement instruments in the social field and on introducing social variables into econometric development models. The Institute established a Research Data Bank of Development Indicators, which collected and screened country-level data associated with 100 socioeconomic variables. This work served to bring out the weaknesses of such data, as well as the methods often used in the study of development.

In the 1970s, the Institute was a pioneer in its work on alternative ways of defining, measuring and analysing the distribution of the material components of livelihood. It emphasized the need for careful selection and screening of data, and new methods of analysis. UNRISD work on cross-national social development indicators introduced a new method known as correspondence analysis (McGranahan et al. 1972). It culminated in a volume that identified the principal problems of existing development data, explained the weaknesses of prevailing methodologies of data analysis, and assessed the potential and limitations of alternative methods considered more suited to the nature of cross-national development data (McGranahan et al. 1985).

Another major strand of UNRISD work entailed developing low-cost methods of data gathering and monitoring at the local level. These monitoring services involved collecting data from a variety of local observation areas to discern both horizontal and vertical inequality, and to better understand who was benefiting from development. Data were periodically analysed to examine changing levels of living, local events related to these changes, and the social, economic and political structures and dynamics affecting local progress. There was also an attempt to integrate the data in the country's overall system of development analysis, as well as in national and local planning (Mathew and Scott 1980; Scott and Mathew 1983, 1985).

At the request of the United Nations General Assembly, UNRISD returned to the measurement question in 1991 and convened a meeting of experts on social development indicators to review advances and shortfalls in the application of social indicators. Country-level reports and discussions confirmed the seriousness of flaws in data collection strategies and the use of data in many countries, and stressed the need for low-cost methods of measurement (Westendorff and Ghai 1993; Gómez 1992).

Subsequently, the Institute collaborated with the United Nations Educational, Scientific and Cultural Organization (UNESCO) in an inquiry on culture and development. This work examined the usefulness of cultural indicators of development—or measures of human development from a cultural perspective—focusing on such aspects as how people's quality of life is determined by their ability to live together (UNRISD/UNESCO 1997; Pattanaik 1997; McKinley 1997).

More recently, attention has focused on the measurement of social conditions in Europe. This has involved an analysis of the history of quantitative research techniques in Western Europe (Collette 2000), approaches to welfare monitoring since the 1960s (Esping-Andersen 2000), and social indicators in the transition countries of Central and Eastern Europe (Scott 2000).

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THE SOCIAL EFFECTS OF ADJUSTMENT

The intellectual arguments against state intervention mentioned above gathered strength in the 1980s and coalesced to form a powerful neoliberal ideology that further marginalized social policy. The attention of leading national and international policy makers and institutions focused squarely on economic liberalization and structural adjustment. This dealt a triple blow to social development: social policy was sidelined even further in policy-making circles; deregulation and downsizing often weakened the role of the state as a public service provider and regulator; and the social situation of many people in developing countries worsened.

The influence of neoliberalism derived not so much from its intellectual soundness (see chapter 7), as from the ascendancy of political forces that supported it. The dominance of such forces resulted in policies and conditionalities associated with structural adjustment programmes under which many developing countries, in particular the highly indebted economies of Africa and Latin America and the transition economies of Eastern and Central Europe, took steps to "stabilize" their economies, stimulate export production and privatize state-owned enterprises.

From the mid-1980s, UNRISD researched the social effects of adjustment (Ghai 1991; de Sierra 1994; UNRISD 1995). It built on the call by the United Nations Children's Fund (UNICEF) for "adjustment with a human face", by examining not only the short-term social impacts of adjustment, but also the longer-term social, institutional and political implications of crisis and economic reform. This body of work found that patterns of gains and losses associated with adjustment were very complex and sometimes at odds with the predictions of neoliberal theory. Particularly affected were individuals and groups with fixed incomes, such as public sector employees. Although the incomes of farmers producing for the export sector improved in certain years, the main beneficiaries tended to be middle- and upper-income rural groups. Subsequent declines in international commodity prices and withdrawal of subsidies on agricultural inputs increased costs and made farming unattractive to many smallholders (Bangura 1994a).

Entrepreneurs who benefited from market liberalization in Africa, Central and Eastern Europe and parts of Latin America were not necessarily those marginalized by pre-reform development strategies. In many instances, they were members of the pre-reform elite who already had strong links with the state. This was most pronounced in Central and Eastern Europe, where more than 70 per cent of the new entrepreneurs had held managerial positions in state institutions under communism (Cox and Mason 1999). In Chile, however, where growth levels were high, a technocratic elite, working with an authoritarian regime, created favourable conditions for the emergence and consolidation of

THE SO-CALLED WASHINGTON CONSENSUS. THE RICH OUTPUT EMANATING FROM THE DIFFERENT PROGRAMMES OF UNRISD REFLECTS A SOPHISTICATED READING OF THE IMPORTANCE OF A WELL-THOUGHT SOCIAL POLICY IN OVERCOMING THE PROBLEMS OF DEVELOPMENT IN THE CONTEMPORARY WORLD."

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new entrepreneurs in the financial, manufacturing and commercial sectors (Martínez and Díaz 1996).

The contractionary effects of adjustment encouraged multiple survival strategies and responses, often not anticipated by policy makers. Government employees and teachers became small-scale entrepreneurs; secondary employment or "moonlighting", as well as petty corruption, increased; poor farmers took on additional off-farm work or migrated to cities to work as casual labourers; and many industrial workers turned to the informal sector or farming. Although informal sector activities generally expanded, the social and economic implications of informalization varied considerably. In much of Africa, the informal sector became overcrowded and comprised diverse activities and social groups (Meagher and Yunusa 1996). When combined with increasing inequalities, poverty and slow growth, informalization undermined the post-independence social compacts and institutions of governance there. In some Central and Eastern European countries, government policies to retain labour in industry partially stemmed the growth of the informal sector. And UNRISD research in Chile revealed that the proportion of wage workers actually increased under adjustment, but labour relations were informalized via individual contracts, part-time employment and subcontracting.

In countries where structural adjustment did yield social and economic gains—for some time, at least—the policies adopted were generally better adapted to local conditions. Rather than promoting the unfettered play of market forces, they combined elements of economic liberalization with some degree of control over certain key prices in the economy, such as exchange and interest rates, and selected goods and services. The prerequisite conditions found in the countries with more successful experiences—such as Chile (in the 1980s), Costa Rica, Ghana and Mexico—were a combination often not found in the poor highly indebted countries that were also being urged to adjust (UNRISD 1995). Such conditions included a strong state, large reserves of foreign exchange, and/or access to relatively large amounts of foreign aid or lines of international credit (see box 2.2).

Box 2.2—Ghana's adjustment experience

Ghana is often touted as a success story of adjustment. Yet its adjustment process was underpinned by very unorthodox institutional arrangements, and success was relatively short-lived. The government crafted centralized and personalistic structures; well-motivated technocratic managers enjoyed significant autonomy in the policy field; and the international financial institutions provided technical support without facing serious resistance from bureaucrats and vested interests.

Ghana's adjustment team was drawn from three disparate groups: professional economists and planners in the civil service; political appointees who supervised the work of the civil servants; and the adjustment management group, which was responsible for the political direction of the programme. Despite the heterogeneous professional and ideological character of the team, it was able to produce coherent working agendas that were based on pragmatism, personal trust, and respect for the rules as defined by the charismatic and forceful military leader, Jerry Rawlings. But the private sector and other organized interests were never partners in adjustment, and thus failed to respond positively to the reforms. Furthermore, the democratization of the 1990s exposed deep-seated divisions over the direction of the programme.

The most noticeable effect of adjustment was the restoration of the fiscal health of the state rather than the transformation of the real economy, and the gains of adjustment proved fragile. The regime was forced to dispense patronage in order to ward off increasing protests from organized interests and to retain political support during democratization. The effect was a slackening of the reforms, with high fiscal deficits and substantial government borrowing from the central bank becoming major problems in the 1990s. Unemployed and marginalized urban youth, trade unions and students came together with conservative interests in 2000 and initiated what has been described as a "democratic revolution", by voting the regime from power.

Source: Hutchful 2002.

SOCIAL WELFARE PROVISIONING

Structural adjustment programmes had major implications for public systems of social welfare provisioning. Constraints on government spending, tax cuts, the downsizing of state infrastructure and bureaucracies, and privatization affected public services linked to education, health and social security. In the 1990s, global concern about these impacts escalated. The World Bank and other international financial institutions began to rethink certain aspects of social policy and the role of the state in development. More attention was focused on the need to mitigate the negative social effects of economic and public sector restructuring by using state resources more efficiently. In the context of these developments, UNRISD research addressed three main questions: What is the future of the welfare state? Is it possible for low-income countries to maintain or expand elements of universal welfare provisioning? How effective are social safety nets, social funds and attempts to target vulnerable groups?

The future of the welfare state

At the beginning of the 1990s, there was much talk of a "crisis of the welfare state". UNRISD research investigated whether such a crisis did indeed exist, and different ways of dealing with welfare state reform. Although the advanced industrialized countries faced many similar challenges, it emerged that they were approaching both the provision of welfare and reform in quite different ways. In the United States, for example, a system of publicly supported welfare minimums was being replaced by low-wage employment and means-tested programmes for the poor, administered by state governments. In contrast, the Scandinavian countries were dealing with the threat of widespread job losses by expanding public sector employment, particularly for women. Different systems generate their own problems and dilemmas. In Europe, expensive pension systems have marginalized those who do not enjoy formal sector jobs; in the United States, the number of "working poor" has expanded dramatically.

Yet in most advanced industrialized countries the welfare state has shown considerable resilience, with the emergence of hybrid systems based on compromises between public and private systems, rather than a fundamental shift toward market-based welfare provisioning. This suggests that the role of existing institutions and established political interests is as important in determining the final policy mix as is new thinking and concern about fiscal discipline.

In several Latin American countries and the former communist states where institutional structures have changed fundamentally, the restructuring of the welfare state has been more profound. In Chile, the shift of welfare responsibilities to the private

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sector has resulted in major problems, notably the limited coverage of social protection schemes, bias against women because they typically earn less and work fewer hours than men, and high administrative costs. Here as in other countries, private schemes require considerable public subsidies, including favourable tax incentives (Esping-Andersen 1994, 1996). Latin American countries with a longer democratic tradition, notably Costa Rica and Uruguay, have retained important elements of public pension schemes (Huber and Stephens 2000).

Well before the neoliberal era, welfare provisioning in East Asia combined state social insurance and company-based welfare programmes. Even after the Asian economic crisis of 1997–1998, which increased pressures for reform, the Republic of Korea, for example, introduced a comprehensive social protection system for the poor that included elements such as training and workfare. The Korean government also strengthened the existing programme to deal with unemployment and extended it to the wider working population (Kwon 2003). Such initiatives seem to have contributed not only to Korea's economic recovery, but also to social cohesion during the difficult post-crisis years. These findings suggest that globalization does not necessarily work to undermine social policy. In some countries, political actors have found a social compromise that allows the government to maintain or strengthen certain forms of social protection while the private sector pursues its competitive edge through adaptation to the world market.

Welfare provisioning in low-income countries

In the heated debates surrounding welfare provisioning in the 1990s, those calling for universal provisioning in developing countries were often accused of being utopian or naive. Is it realistic to expect poorer countries to provide basic services for all their citizens? To address this question, UNRISD examined some countries and subnational regions where this had occurred in an attempt to understand the historical, cultural and political economy reasons for their superior social performance. Several cases—Chile, Costa Rica, Kerala and Sri Lanka—enjoyed a historical head start in health and educational achievements, partly due to their leaders' commitment to broad-based provisioning. The form of political regime, however, varied significantly. Cultural factors were also important, such as the influence of a religion or tradition placing high value on education and care for the disadvantaged, and respect for women's status and rights. Some countries with socialist governments, such as Cuba and Viet Nam, were able to eliminate chronic problems relatively quickly through their social policies and programmes. In other countries a long democratic tradition provided a context conducive to universal provisioning, as it opened up spaces where social and political forces committed to universalism could exert pressure on government. While there is considerable diversity in the institutional frameworks for planning, organizing, financing

and delivering social services, in all cases the state assumed certain responsibilities.

This UNRISD research concluded that the amount of resources allocated to social programmes is not necessarily a key element of success; rather, the sustained commitment to social policy and the composition of social expenditure are key. Social policy that accords priority to maternal and child care, prevention of disease, improvement of health education, overall literacy, basic education, and sanitary and hygienic conditions has a powerful impact on social indicators (Ghai 2000).

Targeting

The World Bank and International Monetary Fund (IMF) responded with social safety nets and social funds to calls for "adjustment with a human face". UNRISD examined the outcomes of these approaches in a number of countries, including Chile, Ghana, India, Mexico and Zimbabwe (Vivian 1995), as well as in West Africa (Diop 2001; Akindès 2001). According to this research, safety nets and targeting the needy had largely failed to address the social consequences of structural adjustment. Safety net projects tended to be small in scale, overly concerned with achieving visibility rather than concrete outcomes, and had difficulties identifying and reaching the poor and vulnerable. Since many such schemes were externally funded, they also lacked long-term sustainability. In West Africa, social expenditures often prioritized infrastructure over operational costs, reinforcing the problem of poorly equipped and understaffed schools and health facilities. Favouring one element of service provision, such as primary schooling, could prove counterproductive, when, for example, the quality of teachers declined as a result of a weakened higher education sector. Perhaps the fundamental weakness of targeting is related to the basic assumption of the social safety net approach: social policy is considered only as an afterthought of economic policy (Mkandawire 2001a).

This inquiry into targeting and safety nets lent support to the observation that services for the poor are generally poor services. Furthermore, when these approaches are coupled with privatization, inequality can in fact increase (Deacon 2000). Health care reform, like public sector reform in general, is premised on the textbook assumptions that public expenditure is largely a technical matter, and privatization of provision for the better-off will release public funds for reallocation to the poor. As African health care professionals, politicians and researchers have repeatedly asserted, however, there is no reason to suppose that public funds will actually be reallocated in this way when real-world health care systems are liberalized and substantially privatized. Rather, health care reform tends to legitimize unequal access. These issues are currently being explored in the UNRISD project on Health Care Commercialization (Mackintosh and Koivusalo 2002).

"ALREADY FOR YEARS, UNRISD HAS PLAYED A KEY ROLE—WITHIN THE UN AND THE BROADER RESEARCH COMMUNITY—IN IDENTIFYING EMERGING DEVELOPMENT ISSUES, SPONSORING INNOVATIVE AND PARTICIPATORY RESEARCH IN THESE NEW AREAS, AND ENGAGING THE POLICY MAKERS ON A NUMBER OF KEY SOCIAL AND—INCREASINGLY SO—ECONOMIC POLICY ISSUES. DESPITE ITS RELATIVELY SMALL SIZE, ITS IMPACT HAS BEEN LARGE, DISTINCT AND

PERCEPTIBLE. IN A WAY, ONE COULD ARGUE THAT UNRISD HAS CONTRIBUTED IN A MAJOR WAY IN IDENTIFYING WHAT ONE MAY CALL 'THE SOCIAL LIMITS OF ECONOMIC GROWTH'. AND IN RECENT TIMES, IT HAS GENERATED INTERESTING INSIGHTS ON 'THE PRO-POOR FEATURES OF GROWTH'."

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TOWARD A UNIFIED APPROACH?

Throughout its 40-year history, UNRISD has sought through its research to promote the integration of social and economic policy; and this integrated approach has extended, periodically, to environmental policy (see chapter 3). Early work at the Institute identified some of the relations and complementarities between economic and social dimensions of development. A pilot study of social and economic indicators in 18 countries showed that those with a relatively high social level in 1950 (in comparison with their economic level) appeared to grow more rapidly in the subsequent decade than the other countries. In addition to this "productivity effect" of social factors, the study also confirmed the "welfare effect" assumed by many economists to exist, whereby quicker economic growth leads to relatively greater social development (Baster and Subramanian 1965).

Dissatisfaction with the marginalization of social dimensions of development in international and national policy making in the 1970s led various United Nations agencies to support UNRISD work on a Unified Approach to Development Planning and Analysis (UNRISD 1980). This approach emphasized the synergies, complementarities and other linkages between economic and social dimensions, and aimed to:

- leave no section of the population outside the scope of change and development;
- effect structural change that favours national development and activates all sectors of the population to participate in the development process;
- achieve social equity, including equitable distribution of income and wealth in the nation; and
- give high priority to the development of human potentials, including vocational technical training, the provision of employment opportunities and meeting the needs of children.

This inquiry not only examined the relationship between social and economic aspects of development, but also warned of the futility of designing sets of recommendations and "prescriptions addressed to humanity at large or governments in general"—or "utopias designed by committee" (Wolfe 1996). Planning and analysis that simply focused on "what" must be done, without considering "who" and "how", would likely remain an academic or bureaucratic exercise. In relation to social development, the "what", according to this study, was clear enough—it had to relate to satisfying basic needs and creating meaningful employment. The key question, however, concerned the social and political forces and alliances in place, or that might emerge, to promote "alternative development". The research found that this would only occur through strengthening the capacity of the state to offer real political choices, and if people in their communities, grassroots organizations and social movements shape such choices through

free and public deliberation and social mobilization. It was these concerns that led the Institute to focus much of its subsequent research agenda on participation, democratization, civil society and social movements (see chapter 4).

Work on a unified approach also highlighted the problems that arise when analysis, planning and policy are fragmented and fail to recognize the complex linkages between different dimensions of development. This and subsequent UNRISD work on Food Systems and Society stressed the need to adopt a more systemic and holistic approach to development issues. Problems of food security, for example, could not be addressed by focusing exclusively on production or marketing or consumption. Neither was it enough to promote food security through local-level interventions; rather, it was crucial to understand the ways in which processes, policies and institutions at the national and international levels impact the local level (Barraclough 1991; Chattopadhyay 1991, 1993; García 1984).

By the end of the 1990s, it was clear that the ideological climate for rethinking social and economic policy was more favourable than it had been for years (Mkandawire and Rodríguez 2000). There was increasing opposition to the social blindness of the dominant neoliberal model. International organizations, and civil society groups, networks and social movements, were promoting new thinking and approaches. These initiatives were reflected in new terminology, such as "post-Washington Consensus", "rights-based development", "corporate social responsibility" and "alternative globalization".

The 1995 World Summit for Social Development had brought together many of the world's leaders to reassert their commitment to create an enabling environment for poverty reduction, employment generation and social integration. At the end of the 1990s UNRISD undertook an extensive inquiry into whether or not the international community had made progress in achieving the Summit goals. The report *Visible Hands: Taking Responsibility for Social Development* (see box 1.2; UNRISD 2000e) showed that financial crises and economic recession had undermined progress. While there was some recognition of the need to rethink the roles and responsibilities of international financial institutions, nation-states and transnational corporations, and to consider more closely the social effects of economic policies, there had been no major rethinking of economic polices themselves. Nor had there been any serious attempt to integrate social and economic policy.

In response to this situation, the Institute is now re-examining the relationship between economic and social development. Through a large project on Social Policy in a Development Context (see box 2.3), researchers are exploring the possibility of building a state-society nexus that is developmental (in the sense that it facilitates and promotes

economic growth and structural transformation), democratic (in the sense that it derives its legitimacy through popular participation and the electoral process), and socially inclusive (in the sense that it pursues social policies that provide equitable entitlements for all citizens).

Box 2.3—Social policy in a development context

It is easy to agree on the need for policies that are developmental, democratic and socially inclusive. But is it feasible to design and implement them? Do the agendas of different social actors and the developmental trajectories of countries inspire hope in this possibility? The UNRISD project on Social Policy in a Development Context is carrying out both thematic and region-centred comparative research in order to answer these questions. Four thematic subprojects are under way: macroeconomic policy and social policy; globalization, commercialization and health policy; gender and social policy; and democratization and social policy. Under the region-centred research, there are five projects: East Asia, sub-Saharan Africa, the Middle East and North Africa, Latin America, and the Nordic countries.

Unlike many attempts to integrate social and economic policy, this project places social policy at the centre of the analysis, rather than considering it an add-on. In many developing countries the state is criticized for its lack of efficiency, and consequently market-based and NGO-provided solutions have been promoted. But these kinds of alternatives often prove ineffective or unsustainable. This project addresses the question of the institutional framework required for social policy, its politics and its relationship to democracy. The analysis will test the hypothesis that the success of social policies largely depends on power structures and on the presence of a constituency of social and political forces that can ensure that governments assign these policies the necessary priority and resources.