SOCIAL POLICY IN A DEVELOPMENTAL AND POLITICAL CONTEXT

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This session, entitled “Transformative Social Policy: Vision and Reality”, brings us to one of the main concerns that motivated this meeting: from the perspective of building societies that are socially inclusive, economically robust and democratically anchored there are serious problems with contemporary approaches to social policy, and new policy directions need to be considered.

When UNRISD was approached to co-host this event we were more than pleased to do so given that our largest research programme deals directly with these issues. Over the past five years we have been conducting numerous studies on social policy and its implications for social protection, equity, economic development and democracy.

By social policy we generally understand public policies and practices that directly influence the welfare and security of various groups within a particular society. Normally we think of social security arrangements (including pensions, unemployment benefits, health insurance, and cash transfers to specific social and income groups), and the provision of social services such as health care, education and housing, but other policies such as land reform could also be included. Furthermore social policy refers to regulations that shape the role of non-state actors and markets in social provisioning.

At the heart of the UNRISD inquiry has been the dual concern that social policy is often treated as a residual and isolated category, i.e. something that is both secondary to economic policy, and largely disconnected from both the economic and political arenas, and it is seen as something that should fundamentally be concerned with protecting the poor and the vulnerable. The research we have been conducting suggests serious limits to these approaches. In keeping with the philosophy of this meeting, social policy can and should be transformative in terms of not only enhancing social protection but also promoting equity and economic development, as well as contributing to democratization. And it should lean towards universalism as opposed to narrow conceptions of targeting.

What I’d like to do is briefly highlight some of the main findings from this work and the writings of my colleagues at UNRISD that seem particularly relevant for our discussions here.

I’ve grouped these under three headings:

- The contribution of social policy to development
- Contemporary trends in social policy associated with privatization of public services and targeting, and
- The relationship between social policy and democratization.

And I’ll end with a brief reflection on certain recent developments that might be conducive to transformative social policy.

**The Contribution of Social Policy to Development**
We live in the era of globalization, neoliberal reform and the post-Washington Consensus. What does this jargon mean for social policy and social service provisioning?

For many developing countries it means that governments are being urged by northern governments, international financial institutions and capital markets to:

- target the poor and provide safety nets;
- reduce or keep a tight rein on government expenditures;
- restructure the tax system, favouring regressive over progressive taxation and reducing trade-related taxes; and
- to neglect key aspects of labour market policy and to flexibilize labour markets.

It also means a reconfiguration of the relative roles and responsibilities of international organizations, central and local governments, non-governmental organizations (NGOs), trade unions and the private sector, through the privatization of public services, corporate social responsibility, decentralization and the channelling of development assistance through NGOs. Such developments also involve the strengthening of technocracy and bypassing some democratic institutions in decision-making processes.

These policy prescriptions and trends have profound implications for social policy and social services, some of which are quite worrying.

The starting point for our work is the recognition that social policy is a key dimension of government policy not only for social protection, but also for equity and economic development (Mkandawire 2004)

- It must protect people from the perverse, unstable and inequitable effects of markets, and the changes in circumstances that occur with ageing, unemployment, maternity and disability.

- It must enhance the productive potential of members of society, through health and education services that enhance human capital. And can also contribute to growth not just through human capital formation but also by increasing consumption or demand related to low-income groups.

- It must assist families, households and women with reconciling the burden of social reproduction and care, with that of other roles and tasks, and it must be concerned with how the burden of reproduction is shared both institutionally and from a gender perspective (Razavi and Hassim 2006).

- It also has a crucial role to play in securing and realising social rights and in reinforcing national and social cohesion, particularly in post-conflict societies or multi-ethnic societies.

Social policy, in theory and historically under the different welfare regimes that characterized, for example, the late industrializers of northern Europe, East Asia and some Latin American countries, has been concerned then with social protection,
redistribution, production and reproduction, as well as social rights, social cohesion, political stability and regime legitimacy (Mkandawire 2004, 2006a). But different welfare regimes have placed different weights on each of these aspects.

A policy focus that gives excessive weight to distributive aspects will likely prove economically unsustainable, as in the case of several “populist regimes”; while one that overemphasizes productivist aspects of social policy, as occurred to some extent in East Asia, would likely encounter political opposition. And a purely “protectivist” approach would likely fail on both counts.

This analysis suggests five main points:

1. if the goal of development is to build societies that are socially inclusive, economically robust and democratically anchored, then social policy has a key role to play in relation to all three of these aspects;
2. contemporary approaches to social policy that focus narrowly on poverty reduction, safety-nets and targeting are problematic;
3. social policy serves multiple purposes associated with protection, redistribution, production, reproduction, social rights and cohesion;
4. there are crucial connections, complementarities and synergies between these different functions; and neglecting one can affect other dimensions of development;
5. social policy isn’t something that should be determined on the basis of top-down technocratic decision-making and standardised policy prescriptions, but its content and sustainability will depend very much on institutional, political and historical factors.

Let’s look briefly at two of the most prominent areas of social policy reform of the past two decades, namely the privatization of social provisioning, and targeting.

**The Privatization of Social Policy**

Private enterprise, and more specifically transnational corporations, are playing a far more prominent role in the social policy arena. Historically, the social role of business was limited primarily to philanthropy, and complying with labour market policies. In some countries, notably in East Asia, there emerged what is called the corporate social welfare model where large national corporations assumed important responsibilities for social welfare as part of a social pact in which they received incentives from the state, as well as labour peace for relatively long periods of time.

Today, we see two new developments associated with what can be called the privatization of social policy. First, large enterprises are engaging directly in providing essential public services. Second, companies are engaging in corporate social responsibility by adopting a variety of voluntary initiatives to improve working conditions and support local communities and social development programmes, such as HIV/AIDS. More recently, large national and transnational corporations are being urged to play a more proactive role in poverty reduction and the Millennium Development Goals (MDGs). What should we make of these developments?
Commercialization and Privatization

As regards the commercialization and privatization of social services, UNRISD work on heath care provisioning (Mackintosh and Koivusalo 2005) and ongoing research on urban water services suggests the following:

- Privatization programmes that proliferated in the 1990s were heavily influenced by ideological considerations that prioritized efficiency criteria and neglected aspects associated with equity.

- Privatization has often had perverse effects in terms of equity. Research we are currently conducting in seven countries to determine how access to water and affordability have been affected, shows a very mixed record in terms of urban access to clean water, and a generally worsening situation in terms of affordability for low-income groups.

- Early on in the privatization process, giving priority to efficiency concerns often meant that regulatory dimensions were marginalized. Sometimes this was apparent in regulatory design, but it was more evident in terms of not having in place the institutional capacity to implement regulations that may have existed on paper.

- And, what is clear from the radical response to privatization in many countries, policy makers fundamentally ignored the political economy of privatization and how local responses and social contestation would ultimately undermine the sustainability of this policy approach.

Corporate Social Responsibility

As regards corporate social responsibility (CSR), it is apparent that the discourse and rhetoric of CSR is running well ahead of the reality, in terms of significant transformations in social practice. Nevertheless an increasing number of corporations are adopting a variety of initiatives in the social arena, and the whole CSR ethos and agenda is being institutionalized through the formation of new entities such as the UN Global Compact, NGO or multistakeholder standard-setting, monitoring and certification organizations. Apart from patchy evidence of significant improvements in social performance of companies, there are other major concerns with the CSR agenda (see Utting 2005)

First, the CSR agenda has focused primarily of issues of social and environmental protection. Issues concerned with rights, empowerment and redistribution come a poor second or are ignored altogether.

Second, TNCs may be taking some initiatives on the social front but, simultaneously, they are often engage in practices that have perverse social effects, relying, for example, more and more on subcontracting, which often implies a deterioration in labour standards, or engaging in forms of transfer pricing, tax avoidance and lobbying that ultimately reduce corporate tax contributions, which of course are important for funding social and other government expenditures. Such contradictory practices usually are not addressed under the rubric of CSR.
Third, CSR involves the privatization of regulatory authority related to social or labour market policy. Increasingly organized business interests and NGOs are taking up functions that were previously associated with the state. In some cases, such developments may mean that the institutional capacity to regulate markets and minimize perverse effects is being enhanced, along the lines suggested by the proponents of “embedded liberalism”. But in other cases, it means a further weakening of the roles and responsibilities of both the state and trade unions, which is problematic.

**Targeting and Poverty Reduction**

Since the late 1980s, social policy in many developing countries has been particularly concerned with “targeted” protection, i.e., channelling aid and social spending first and foremost to “the poor” or particular “vulnerable” groups. This approach characterized the social funds that emerged as a palliative for structural adjustment programmes, and has evolved through broader-based programmes and policies associated with conditional cash transfers or primary education for girls.

Such an approach can be praised for having refocused attention on “the social”, and indeed, in various countries social spending has increased. It has also been useful from the point of view of mobilizing political will to address poverty issues. And it has been helpful for getting time-bound targets for the rhetorical goals that were set at various World Summits in the 1990s. But this approach also needs to be handled with caution (see Mkandawire 2006).

First, too narrow a perspective on targeting, such as that which has characterized many social funds, seems to run counter to what we know about successful approaches to poverty reduction. Few of countries or regions that have advanced in terms of poverty reduction, whether in East Asia, states like Kerala, Africa in the 1960s and 70s, or in some Latin American countries like Costa Rica and Chile, have had explicit poverty reduction policies. Successful regimes generally adopted a more balanced approach, i.e. one that was also concerned with growth and redistribution, and they also placed greater emphasis on universalist policies, or at least what is called stratified universalism, where social policy favoured large social groups, such as formal sector workers.

Second, targeting is administratively quite complex. It isn’t easy to identify or reach the poor, particularly when they constitute the majority of the population, are part of the so-called informal sector and often undocumented, and are highly mobile. And the administrative capacity of the state to target is often limited in contexts where the civil service has been weakened through budget cuts, lay-offs and corruption.

Third, targeting can undermine the functioning of complex systems, which are crucial in the case, for example, of health and education (Razavi and Hassim 2006). Research on gender dimensions of social policy carried out in India found that targeting primary education for girls, did boost enrolment rates but also involved a trade-off with secondary and tertiary education. This is extremely problematic as it is these parts of the system that produce teachers, provide parents with the incentive to send children to school in the first place, and provide girls with the skills needed to access
employment, access contraception, and negotiate intra-household relations (Jha and Subrahmanian 2006).

Fourth, targeting is risky and may backfire from a political economy perspective, in that by making the middle classes pay for privatized social services, they have one less reason to pay taxes to finance social and other policies.

Finally, social policy needs to be motivated and sustained by a powerful coalition of social and political forces or social pacts involving state, political parties, business, labour and other social groups. The politics of targeting and the Poverty Reduction Strategy Papers (PRSPs) look quite different, involving primarily donors, selected ministries and selected civil society organizations. This combination of donor, technocratic and NGO interests is very different to the types of political coalitions that underpinned social policy in the past.

More recently we see a shift to what may either be considered “smart targeting” or smart universalism, depending on one’s perspective, in the form of large programmes involving conditional cash transfers to children and others. While several such programmes have been regarded as success stories, they need to be looked at carefully. Does the expenditure involved detract from other areas of social spending? Are they complementary to, rather than a substitute for other universal features of social policy? Do they lean towards universalism by urging, for example, parents to realize certain universal rights? And how sustainable are they both financially and politically?

**Social Policy and Democratization**

Let me turn briefly to the relationship between social policy and democratization, which is, I’m sure, a very topical issue in our host country.

According to textbook political theory, democratization should improve the well-being of the poor as political leaders and representatives become more responsive or accountable to citizens. Historically, this was generally the case, but the relationship today between social policy and democratization is far more complex and uncertain. (see Bangura and Hedberg, forthcoming 2006)

In countries where there is a strong association between democracy and social policy the following conditions generally exist:

- highly competitive political systems,
- an informed electorate,
- relatively high levels of interest group organization, in particular, unionization,
- pro-welfare political parties that win elections, and
- social pacts where organized or corporatist interests, including business, support or at least do not resist social reform.

Welfare development is generally related to economic development but economic development is not a sufficient condition for effective social policy.
Recent trends in democratization suggest that even when the poor are in the majority, democratization has not necessarily spurred income distribution or extensive social provisioning in favour of the poor.

Research at UNRISD has examined why this has occurred. Key reasons include the following: (see Bangura 2005)

- Electoral competitiveness and the responsiveness of leaders to the needs and demands of the poor can be undermined through inadequate information, lack of credibility of leaders and programmes, and ethnic diversity.

- Parliamentary competitiveness can also be undermined. In democracies, parliaments are expected to aggregate voters’ choices as well as scrutinize government policies. However, the ability of parliaments to perform these roles very much depends on the nature of the party systems and legislative distribution of power.

- Trends associated with technocratic governance, promoted by the IFIs, also weaken the role of traditional policy makers and shield certain policy institutions from democratic oversight and bargaining processes.

- The ability of low-income voters to extract responsiveness from governments through interest group pressure has also changed, with the weakening of unions and peasant organizations, the rise of the unorganized informal sector, and NGOs.

- Corporatist arrangements and social pacts, where elite interests historically went along with universalist approaches to service provisioning, in return for social or labour peace or other incentives from government, have also broken down.

Many new democracies, even those dominated by left of centre political parties have adopted neoliberal policies as, for example, in South Africa or Brazil (see Mkandawire 2006b). In regions, such as Latin America and Africa, some parties have tried to distance themselves from interventionist and populist policies of the past that were associated with macroeconomic failure.

What is also apparent is that governments or parties in power do not necessarily implement a standardized set of social policies throughout their tenure. Rather the content and quality of social policy often varies according to the political electoral cycle with social expenditures increasing during election years.

In the context of globalization, parties are also subjected to the pressures and conditionalities of the international market, IFIs and bilateral agencies, and must signal markets and donors accordingly with orthodox policies. And technocrats within Central Banks, and economics and finance ministries, are often ideologically and intellectually in tune with such policy approaches.
All these factors and trends can result in what Thandika Mkandawire has referred to as fairly “choiceless democracies”. But several recent developments may alter this scenario (see Utting 2006b).

**Future Developments?**

In parts of Latin America and the Middle East we see the resurrection of populist alternatives to neoliberal orthodoxy which assign a high priority to social policy. In some countries such alternatives are supported by high revenues from the extractive industries. Such scenarios and possibilities, however, are few and far between, although they are having spill-over effects in other countries, and in regions like Latin America we do see a more general resurgence of social democratic parties.

A more widespread development concerns the increasing attention to “good governance”, and issues of transparency, participation, decentralization, accountability and anti-corruption. Such institutional reforms could translate into positive gains as far as social policy is concerned. In practice, however, the way powerful actors and entrenched institutions interpret and apply such reforms often renders them far less effective than the rhetoric and analytical foundations of good governance might suppose.

But perhaps the major problem with the good governance agenda is that it has tended to let neoliberal reform off the hook. Development failures, it is assumed, as largely due to the failures of domestic institutions in developing countries, rather than macroeconomic conditionality or unjust North-South and power relations.

The third development relates to a very recent shift in thinking within some mainstream international development institutions, most notably the critique of neoliberal conditionality that emerged last year. The UN finally broke its silence as regards neoliberalism and policy conditionality through the publication of at least four reports that critique neoliberalism head on. These include the 2005 *Human Development Report*, UNRISD’s report on *Gender Equality*, UNCTAD’s publication on *Rethinking the Role of FDI*, and UNDESA’s Report *The Inequality Predicament*. And the World Bank also acknowledged the need for “some forms of redistribution” in the last World Development Report on *Equity and Development*.

What remains to be seen is how this analytical and discursive shift is translated into policy change. Potentially, one of the positive policy implications relates to the emphasis being placed on concepts such as “policy coherence” and “policy space”. These concepts not only highlight the contradictions between social development and neoliberal macroeconomics, but also the fact that democratic institutions and processes in developing countries should enjoy a greater say in determining development priorities. Calls for greater policy coherence and policy space derive from both the heightened critique of neoliberal policies, and the historical experience of many Asian countries which pursued a very different policy approach. Potentially policy space means:

- policies that are more in tune with domestic needs, priorities and realities;
- that in a context where not only conditionality but also globalization and international markets are limiting the policy options of governments, social
policy can constitute one arena where governments can add to their policy armoury; and

- the possibility for governments to restructure state-market relations, as we are currently seeing in Bolivia and Argentina.

Another development concerns the types of large conditional cash transfer programmes already mentioned, that scale-up up targeting to such an extent that they lean towards universalism or go quite some way towards the realization of universal social rights. But this new wave of initiatives needs to be looked at carefully.

Converting policy space into either greater policy coherence or a more universalist and transformative social policy, will require not only top-down institutional reforms but also changes in power relations. Here the contemporary focus on participation is potentially important, but the type of selective and sanitized participation that characterizes, for example, many poverty reduction strategy processes, is questionable. What might be more significant are developments associated with the consolidation of NGO networks, transnational activism and some social movements; the revival of trade unions and cooperative organizations, and the organization of informal sector workers; and the emergence and strengthening of certain multistakeholder institutions and of new social pacts involving sectors of business negatively affected by neoliberal restructuring.

Another development relates to the regulatory role of the state and other institutions vis-à-vis corporations that have become increasingly engaged in social policy in the past decade. Companies that are involved in both the provisioning of social services, and in corporate social responsibility initiatives, are coming under closer scrutiny from both state and civil society actors. Increasing attention is focusing not only on CSR but also “corporate accountability”, a concept that implies not only that companies must answer to different stakeholders, but also enforceability, i.e. that agreed standards, regulations and laws must be complied with and non-compliance must incur some form of penalty (see Utting 2005).

The key questions are if and how such concepts and approaches will transform policies, institutions, state-market relations, and patterns of resource allocation among different social groups. To answer these questions we need to look at the specifics of political economy and institutions in concrete country settings, which brings us to my fellow panellists and the sessions that follow.

Thank you.

Selected References


