

Social Policy and Development: 10 Key Challenges

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I was extremely pleased to receive the invitation from the Economic Policy Research Foundation of Turkey (TEPAV) and the METU Social Politics Program to address the 4th Regional Development and Governance Symposium as it provides an important opportunity to present some of the research findings that have emerged from the extensive work that UNRISD has been conducting on the role of social policy in development. While most of our studies focus on developing and transitional countries in other regions of the world, I hope that what I will say will resonate with the experience and policy debates in Turkey. I will begin by referring briefly to recent trends, failings and adjustments in social policy, and then go on to identify 10 challenges that need to be addressed if social policy is to play a constructive role in patterns of development that are inclusive and equitable.

Defining social policy

First though, what exactly is meant by social policy? Basically we are using the term here to refer to public policies and programmes that directly influence the welfare and security of individuals and groups within a particular society. Typically such interventions relate to social assistance related, for example, to safety nets and other measures to protect vulnerable groups; social insurance (ill-health and unemployment); and social services and investment in health, education, housing, water, sanitation and care. Social policy also relates to redistributive policies, such as land reform and affirmative action programmes, as well as to labor market policies concerned with working conditions, employment benefits, skills development, labour rights and minimum wages.

Recent shifts in social policy

As the Minister said when opening this conference, we are living in times of crisis. In this context it has become clearer that certain policy approaches that have been promoted by the mainstream international development community in recent decades have not worked and that it is time for a major rethink. Social policy has for too long been treated as an add-on, as a residual policy arena, secondary to and somewhat disconnected from

economic policy. Macro-economic policies in much of the developing world have centred on the promotion of market liberalization, privatization and economic stabilization. For many years, it was assumed that growth would automatically translate into social development. Insufficient attention was paid both to the effects of economic stabilization in constraining growth and the social costs of economic restructuring, particularly structural adjustment programmes.

This situation has changed to some extent in recent years as more attention has focused on social policy and poverty reduction. But somewhat narrow interpretations of social policy often hold sway, with a tendency to prioritize social assistance and “targeting the poor”, while other important dimensions of social policy, which I will come to later, receive limited attention. At the same time, through the privatization and commercialization of social services, as well as targeting, there has been a tendency to fragment social service provisioning.

Mainstream policy approaches associated with market liberalization not only marginalized social policy, they rolled-back the capacity of the state and bureaucracies to plan, deliver and regulate. Just as there has been some refocusing of attention on social policy, there is also more concern with the role of institutions and the notion of (re-) building capacity. But here too the type of institutional strengthening being proposed is often narrowly conceived, focusing for example on property rights and specific institutions of “good governance regarded as key for private sector development, technocratic efficiency and accountability.

Another major shift in development discourse and practice in the past decade involves the heightened attention to poverty reduction. But as the Millennium Development Goals (MDG) process enters its second decade, several key goals seem as elusive as ever. An extensive inquiry on poverty reduction being conducted by UNRISD suggests that there are serious limitations with the dominant approaches associated with the MDGs, the World Bank’s Poverty Reduction Strategy Papers and “targeting the poor”.

Ten challenges for rethinking social policy

Such trends and the current context of global crises suggest that we need to fundamentally rethink the role of social policy in development. In the remainder of this presentation I will refer to 10 key challenges that policy makers and other change agents need to address if we are going to address problems associated with the marginalization, fragmentation and narrow conceptions of social policy and institutional reform.

Integrating economic and social dimensions of policy

The first challenge relates to the need to integrate economic and social dimensions of policy. If we look at the experience of countries that have been relatively successful in reducing poverty over a relatively short period of time – notably “late industrializers” of northern Europe and East Asia – social policy was not simply about social protection; it played a key role in structural change, economic growth and modernization. Unlike today, macroeconomic policy was often subordinated to social goals such as full employment. Social policy was seen as instrumental in economic development through human capital formation, increasing consumer demand, promoting harmonious labour relations, and facilitating rural to urban migration. Social policy and economic policy were much more integrated than has been the case in recent decades.

Recognizing the multiple roles of social policy

The second challenge relates to need to recognize that social policy plays multiple roles in development, related to social protection, equity, social cohesion, economic development and rights-based development. In UNRISD we use this term “transformative social policy” to refer to the multiple tasks of social policy in the fields of protection (e.g. social assistance and insurance), production (e.g via human capital formation associated with education, training and health services), redistribution (e.g. progressive income tax and land reform), and social reproduction (e.g. facilitating care of children and the elderly).

Contemporary approaches to social policy often focus heavily on protecting people from vulnerability and other insecurities, as well as human-capital formation which is considered key for economic development. Two other roles are often neglected, namely, social reproduction and redistribution. The former is crucial to assist families and households with reconciling the burden of social reproduction and care with other roles and tasks that women, in particular, have to perform. Social policy related to social reproduction also needs to be concerned with how the burden of reproduction and care is shared institutionally, among households, communities, markets and the state, and also between men and women. Social policy associated with redistribution directly addresses issues of inequality and discrimination. Rapidly rising inequality suggests that fiscal policies associated with regressive taxation and agrarian policies that have neglected issues of land reform need to be rethought.

Overcoming fragmentation

The third challenge is to overcome the fragmentation of social policy, which has different dimensions. First is the issue of “social fragmentation” or segmentation. This occurs when coverage and benefits are restricted to

particular social groups. UNRISD research points instead to the superiority of leaning towards universal social provisioning as we see in the Nordic countries, or Costa Rica and Uruguay in Latin America, or Botswana in Africa, or South Korea in Asia. Approaches that focus on targeting are often administratively complicated. Identifying and reaching the poor is often easier said than done, particularly in contexts where state institutions have been weakened, and targeting may make little sense in countries where the majority of the population is poor.

Such situations are relevant to some Conditional Cash Transfer Programs (CCTP), which have attracted considerable attention in recent years. Some CCT programs have attempted to address issues of social fragmentation associated with urban bias and rural neglect, and have been quite successful in countries such as Brazil and Mexico. But they also run the risk of increasing the demand for social services by facilitating access to health, education, etc. whilst neglecting the supply side, i.e. building the social infrastructure and the human capital which are needed for efficient services. The issue of social fragmentation also relates to the tendency in many countries to rely heavily on NGOs as a service delivery agent. In the Middle East, as elsewhere, NGOs have played a key role in social protection but major problems of scaling-up, co-ordination and ad hoc interventions remain.

The second aspect of fragmentation is what can be called “systemic fragmentation”. This occurs when excessive emphasis is placed, for example, on primary health care or primary education while other parts of the service provisioning system are neglected, for example, tertiary education. This can result in the syndrome of higher enrolment levels at school but poor quality teaching, or more people attending primary health clinics which are understaffed. Policy needs to recognize the crucial inter-connections between the different parts of the system.

A third aspect of fragmentation relates to what the Minister referred to earlier, i.e. when diverse institutions (e.g. different government agencies, NGOs, private companies) are operating in the same policy field but there is a lack of coordination. The increasing attention within international policy circles to the principle of “policy coherence” is potentially useful in this regard as it is particularly concerned with aspects that relate to intra-governmental coordination.

(Re-)building state capacity

The fourth challenge relates to building or rebuilding state capacity. As already noted, the dominant economic development paradigm associated with structural adjustment and economic restructuring has involved rolling

back state capacities in a number of areas. Today there is a growing recognition that state capacity needs to be reinforced, for example, in areas associated with regulatory capacity, such as state inspection of workplace conditions; and service delivery and human capital formation in areas of health and education. And as was stressed in the speeches this morning, this also relates to capacities associated with strategic planning and information gathering.

Many countries have experienced a long term decline in the real wages of civil servants. This process needs to be reversed with adequately paid public sector employees, and restoring and enhancing some sense of public service. And if we look at the experience of countries that were relatively successful in promoting social and economic development, their bureaucracies and technocracies often enjoyed some degree of autonomy from vested interests to pursue a national development project.

Financing social policy

The fifth challenge relates to resource mobilization and the question of how social policy is financed. If we are going to lean towards more universal approaches in the field of social policy then we need tax systems that are more progressive rather than regressive. Recent decades have seen a trend towards more regressive fiscal regimes which emphasize increases in value added tax and cuts in corporate tax rates. A crucial issue to consider here relates to middle class support for universal social policy or welfare states through taxation. One of the major problems with the trend towards privatization of social services is that it tends to create systems in which the middle class can opt out of public provisioning. If the middle classes are not part of the public provisioning system, then there is not much incentive for them to pay taxes and thereby support public services.

Obviously, for many developing countries overseas development assistance (ODA) is very important. It can be a complementary source of funding and can facilitate more inclusive social policies. But it can also be very unreliable and, due to excessive conditionality, can reduce the policy space that governments have.

Recent work on the costing of universal approaches to social policy suggests that it is affordable, and a good investment. A number of United Nations agencies are now promoting the idea of a Global Social Floor which consists of universal health care, old age pensions and pensions for disabilities, child benefits and a certain level of guaranteed employment per year. It has been calculated that extending such cover to the world's extreme poor would amount to less than 2% of global GDP. The ILO has estimated that the cost of a modest package of conditional child cash transfers, universal pensions and basic health care in Latin America would amount to less

than 5% of GDP. The world's two largest conditional cash transfer programmes reach 11 million households in Brazil and 5 million in Mexico. These programmes are generally considered to be cost effective, amounting to 0.4% of GDP.

Securing “policy space”

The sixth challenge relates to enhance “policy space” and to accepting that there is not one right way to promote development. The principle of “policy space” refers to the ability of governments to use a variety of policy instruments to chart a development path that is more in tune with national realities and priorities. Such space has been heavily constrained in many developing countries through free trade agreements, aid conditionality and “pro-cyclical” policies.

There is tendency within some international development circles to promote fairly standardized prescriptions for social and economic policy. There needs to be greater recognition that different countries have different structural, institutional and political conditions that demand a different mix of policies, and that countries that have been relatively successful in reducing poverty have indeed followed diverse paths.

Revisiting “good governance”

The seventh challenge concerns revisiting the notion of ‘good governance’. The good governance agenda took off internationally as the key role of institutions in economic development was recognized by leading development institutions and in response to the failures of orthodox neo-liberal policies and structural adjustment programmes. The “new institutionalism”, however, focused somewhat narrowly on specific institutions such as property rights, anti-corruption, and giving certain non-state actors a voice in consultative processes. New public management and decentralization also figured prominently in good governance reforms. The former sought to promote market principles in the governance of the public sector. But this requires relatively high levels of regulatory capacity and the basic foundations of a Weberian bureaucracy, two conditions that are often weak in developing countries. Decentralization can have ambiguous outcomes. Its success requires governing elites to commit to change local power structures in favour of the poor and a network of citizen groups that can engage local authorities in policy making. The good governance reforms often ignored institutional arrangements that have been important historically. These included, for example, effective state allocative and enforcement capacity, developmental welfare states, “active citizenship”, and the notion of bargaining between different interest groups associated with business and labour.

Multi-scalar governance

Another challenge relates to the need for multi-layered or multi-scalar governance and social policy interventions at sub-national, national, regional and global levels. Global and regional social policy are crucial for dealing with cross-border and global public goods issues. Interventions at these levels can build political momentum to promote transformative social policy, for example, through the sort of mobilizing role that the Millennium Development Goals have played, or the coalition of UN agencies now calling for a Global Social Floor. They are also important for mobilizing resources, as through commitments to increase overseas development assistance, the international airline ticket tax, or intra-regional transfers through, for example, the European Union or the Bolivarian Alliance for Latin America (ALBA).

The politics of social policy

The ninth challenge relates to the politics of transformative social policy. This is one aspect that often gets ignored in technocratic discussions about social policy challenges and reforms. Various dimensions are relevant. Growing attention to “good governance” has highlighted the importance of “consultation” with “stakeholders” in policy processes. There is a danger though of selectively picking and choosing particular NGOs or business associations and excluding others that might have quite different views about development priorities.

Furthermore, it is not enough to give people a voice around the table; they need to become “players”. Just as historically the labour movement played a key role in the construction of welfare states, any meaningful shift towards transformative social policy today will require a shift in the correlation of social forces. Civil society actors will need to gain influence in decision-making processes. As others have pointed out, “active citizenship”, through both dialogue and contestation, has an important role to play. It is also important to overcome constraints on change associated with the fragmentation and dispersion of civil society organizations (so-called “NGOization”); to strengthen transnational activism at local, national, regional and global levels; and to build coalitions and alliances to support a particular approach to social policy and development.

The issue of social pacts and class compromises are also important. This is particularly relevant in relation to how both business sectors and the middle classes become integrated in, and potentially supportive of, a transformative social policy agenda. If we look at cases in East Asia and the Nordic countries there was an implicit compromise whereby the state provided some business sectors with certain incentives, for example, in relation to export competitiveness and subsidies, and business was expected to assume certain social welfare

obligations for workers and their families. The middle classes paid taxes to support welfare states but benefited from public social services and other aspects of social policy. Such social pacts have been eroded in recent decades with privatization and the decline of industrial policy.

Social policy in contexts of crisis

The recent global financial and food crises may well further constrain the scope for transformative social policy but crises are also an opportunity for socially progressive reform. From the Great Depression in the United States emerged the New Deal. In the aftermath of the Asian Crisis of the late 1990s, Korea and Thailand expanded their social insurance systems. The current financial and economic crisis has redirected attention to the need for counter-cyclical policies and greater policy space for developing countries. Argentina has nationalized and expanded pension coverage, India has significantly expanded its rural workfare program, China has expanded social investment and paid more attention to labor standards, and the USA is attempting to reform the healthcare system. But such crises also put social policy institutions under far more strain as unemployment rises, casualization of labor increases, the care burden grows, and reduced tax revenues and growing deficits imply limits on public spending.

When considering the future of social policy, it is important to reflect on two big questions. The first concerns the fate of the dominant neo-liberal paradigm and market-led growth. Will that paradigm fundamentally change? UNRISD recently held a conference on the social and political dimensions of global financial crisis. The discussions there revealed that while there are some signs of both a discursive shift in favour of policy space, Keynesianism and enhanced market regulation, it is not at all clear that we will see any fundamental change in neoliberal trends associated with the flexibilization of labour markets, privatization and ongoing pressures and conditionalities associated with pro-cyclical policies that have proven problematic for both economic growth and social development.

The second big question is will the increasing attention to social policy move beyond a narrow focus on social assistance, i.e. from a remedial approach to the type of transformative social policy agenda referred to above. Ultimately, the future trajectory of social policy will depend very much on the previous challenge, namely the politics of social change.

Thank you very much.