

Lessons from the UNRISD Research Projects on Social Policy

Thandika Mkandawire

Director, UNRISD

During the last six years or so, *Social Policy in a Development Context* has been the “flagship” research project at UNRISD. Recent UNRISD work on social policy was carried out in five regions, as well as on thematic issues related to *pro-poor macroeconomics, gender dimensions, democratization, commercialization of health care, water privatization* and *public sector reform*. A number of books and papers have been published so far under the project (see Appendix).

I. Multiple Tasks of Social Policy

One fundamental lesson of the research is that value-driven arguments for social policy must work in tandem with instrumental ones. Social policy must deal with four major concerns: *distribution, protection, production* and *reproduction*. It must be concerned with the redistributive effects of economic policy, protecting people from the vagaries of the market and the changing circumstances of age, enhancing the productive potential of members of society, and reconciling the burden of reproduction with that of other social tasks, as well as sharing the burden of reproduction. Different welfare regimes have placed different weights on each of these. Thus, while one may speak of “distributionist” or “productivist” welfare states, one has to recognize that such descriptions are merely positions on a *continuum*. Because considerable complementarities and synergies generally exist among these goals, the pursuit of only one of these goals to the exclusion of others can cause problems which might undermine the pursuit of the one chosen goal. Thus a focus only on the distributive functions of social policy would ultimately be economically unsustainable. This has been the fate of the “populist” regimes whose exclusive focus on distribution often led to inflation and stagnation that left the poor worse off than they were initially. Similarly, a purely “productivist” approach to social policy would encounter political opposition, producing political instability that would undermine the growth objective. And finally, a purely “protectivist” regime would fail on both grounds and not cope with the dynamics of demography.

In general “late industrializers” (such as countries of Northern Europe and East Asia) have given greater weight to the productive or developmental aspects of social policy

than their more advanced counterparts. Indeed, this focus has been the *differentia specifica* of “developmental welfare states”. However, partly as a response to globalization, the pressures for competitiveness and the ascendancy of ideologies much more inclined against redistribution, there is growing bias even in the developed countries towards “productivist” roles as evidenced by the shift of welfare regimes towards what have been referred to as “social investment” or “workfare states”.

II. Ideologies

Ideologies are important to social policy because they determine the underlying motives and norms for a number of policy measures: are they an aspect of social rights or are they social privileges accorded by an authoritarian or paternalistic regime? State elites are often motivated by a particular kind of ideology: to provide the national community with a kind of “moral good” which may include “nation-building”, “self-sufficiency”, “social cohesion”, “socialism”, “solidarity” or “mutual responsibility”, etc.

III. Social Policy and Poverty

Social policy in developing countries is not only about poverty eradication. Historically, social policy has had other objectives such as national or social cohesion and equity. Indeed, in a number of countries that have successfully dealt with poverty within a relatively short period of time, the relief of poverty was not even the most explicit motive for the introduction of social policies. In the Nordic or East Asian countries, for example, “poverty reduction” *per se* was not one of the main pillars of their social policies. The point is not to dethrone “poverty” from the policy agenda, but rather to stress that the factors that may eventually reduce poverty are not those that address its proximate causes, nor are they the most obvious ones like targeting the poor.

IV. Late Industrialization and Social Policy

Social policy is not something to engage in only after reaching a certain development threshold; nor is it an exclusive domain of advanced welfare states: social policy is a *key instrument for economic and social development*. There is some kind of “Gerschenkron thesis” for social policy whereby “late industrializers” have tended to adopt certain welfare measures at much earlier phases in their development than the “pioneers”. This is partly in order to handle the “social questions” that arise with rapid industrialization. In addition, both “learning effects” and “contagion” can lead to leap-frogging and a much earlier adoption of certain “technologies” —including social policy—

at much earlier stages of development than a linear view of development would suggest. The implication is that quite a number of welfare measures can be introduced at fairly low levels of income in response to both normative and functionalist imperatives to use social policies for distributive, protective and proactive ends.

V. The Instrumental Value of Social Policy

Social policy is not only an expression of normative values, but can also serve as a major transformative instrument in the process of development. The great challenge is how to mobilize the instrumental value of social policies without undermining the intrinsic value of the goals being pursued.

Social policy can contribute to capital accumulation through “forced” savings collected as social insurance funds. In some “late industrializers” such as Finland, pension funds were crucial in financing some major infrastructure projects such as the electrification of the country. Social policy also contributes to the formation of human capital by ensuring the education and the health of the population and by improving the efficiency of specific markets, such labour markets, and other markets for social provision. It ensures the legitimacy of the political order and contributes to political stability. It contributes to “social capital” by enhancing social cohesion and resolving social conflicts. Not only does social policy contribute to the “supply side” of development; it also affects the demand side by influencing the levels and structures of demand. Finally, social policy can be one of the “focusing devices” of technological change by providing the human capital wherewithal for technological innovation and adaptation, as well as by sanctioning or disallowing certain technologies.

VI. Labour Markets

Labour market policies are an extremely important arena for addressing issues of poverty and development. Labour markets are not simply institutions for the static efficient allocation of existing labour resources, but they are also the site for the realization of basic civil and social rights though what the ILO calls “decent work”. Moreover, they perform the developmental role that is often obscured by the preoccupation with market clearance: as noted above, they can be sources of savings through contributory schemes such as pensions and they can also resolve coordination problems and address “market failures” in the production of human capital by creating incentives for both employer and employee to invest in “human capital”.

Not surprisingly, a common feature of all the development “success stories” has been their intervention in the labour markets or the pursuit of “active labour market policy”, to use current parlance. While such policies are generally implemented at the micro level, they have great macroeconomic effects on inflation, growth and distribution.

In the process of development, labour markets are some of the most politically explosive ones. The importance of what the Germans referred to as the “social question” in the process of industrialization often expresses itself most sharply in this market. It is also state policies in the labour market that often most vividly distinguish authoritarian and democratic states. It is also in the labour market that reconciling production and reproduction clearly emerges as a social concern of developing economies.

VII. The Gendered Nature of Social Policy

Social policy is always filtered through social institutions—families and communities, markets, the care economy; health and education systems, the public sector—that are “bearers of gender”. It is thus always “gendered” not only because it shapes how society cares for its young, old and frail, but also because it affects the participation of women and men in both household and non-household economic activities. A core aspect of any economy is the “care economy”. How problems of care are addressed by social policies not only colours the texture of society but also fundamentally determines the lives of women by either broadening the capabilities and choices, or by confining them to so-called “traditional roles”. It also affects both the pattern and rate of economic development.

VIII. Leaning Towards Universalism

For poor countries there is a strong case for leaning towards universalistic policies in addressing issues of poverty. In many of the “late industrializers” that confronted problems of social dislocation and poverty, it became obvious that where poverty was widespread, “targeting” would be unnecessary and administratively costly. Thus the “universalism” guiding social policy in a many countries was in fact dictated by underdevelopment—targeting was simply too demanding in terms of available skills and administrative capacity.

One potent criticism levelled against many social security systems in the developing countries is that they are “segmented” and only benefit the few, in the formal sector. This

argument has been used to argue for targeted social policy in favour of the poor. Historically, however, the foundation of many of today's most successful universalistic welfare states was such "stratified universalism", or exclusive voluntary provision of social services to members. In most "late industrializers"—such as Germany and Japan, for example—welfare entitlements were directed at those parts of the workforce that were most crucial for economic growth, best organized, and thus politically most powerful: that is, skilled industrial workers. However, late industrializers tended to climb the ladder towards universalism much faster than the "pioneers" of industrialization. The speed with which universalism spread was conditioned by the political regime in place. In contrast, structural adjustment programmes and PRSPs, driven by a "targeting" rationale, begin by dismantling the exclusive rights of formal labour on the grounds that this will lead to greater labour market flexibility and will attract donor funds for "pro-poor" policies.

The preference for targeting social welfare policies actually runs counter to the Bretton Woods institutions' own counsel against targeting in other sectors (e.g., through industrial policy). And so targeting is recommended in a sector where problems of *information distortion, incentives distortion, moral hazard, administrative cost, invasive loss and corruption* are likely to be most severe.

IX. Macroeconomics and Social Policy

In the successful developmental experiences, macroeconomics played special attention to economic growth and structural changes as instruments for the social objective of eradicating poverty and improving social welfare. In the 1980s, macroeconomics was detached from these social moorings, becoming increasingly socially blind. Economic policies and the instruments chosen to implement them were no longer constrained by social objectives, such as protecting people's incomes or eradicating poverty. Instead they were almost exclusively assigned the tasks of reducing the twin deficits, containing public debt and inflation, liberalizing product and factor markets, privatizing state assets, and liberalizing external trade and capital flows.

The ability to achieve rapid poverty reduction depends critically, *inter alia*, on the nature of the development, social and macroeconomic policies adopted to promote rapid growth and equitable income distribution. While scholars and policy makers of different economic persuasions generally agree on the broad lines of suitable pro-poor development and social policies, the nature of macroeconomic policies consistent with poverty reduction

remains controversial, and the discord has intensified with the liberalization of international capital movements.

Tellingly, the countries that have achieved rapid poverty reduction and are poised to reach the MDG of halving extreme poverty—China, India, Viet Nam and a few others—mostly adopted macroeconomic policies that differed markedly, or at least in part, from those promoted by the neoliberal approach. These countries adopted policies in consonance with their local structures and institutions.

X. The International Environment for Social Policy

It is important to bear in mind the international context within which social policy is being pursued. The global environment impinges on social policy in various ways. It can set limits on what instruments can be used in the pursuit of social goals. It can, through the provision of resources (including finance, ideas and norms), facilitate the design and implementation of social policies in developing countries. Consequently, it is important to structure global economic and governance structures as if the social values pursued by social policy actually matter. This was one of the central features of the Keynesian Bretton Woods international regime that permitted nation-states to pursue their welfare and developmental policies while engaging in greater economic interaction with other states.

Social policy is imperative for strategically opening up economies not only because it provides the human capital necessary for enhancing competitive capacity, but also because it provides the necessary protection for citizens from the vagaries of global markets.

XI. Democracy and Social Policy

There is no simple one-to-one relationship between political regime and social policy. Many democracies have not done well with respect to some of the central preoccupations of social policy. Indeed, far-reaching social policies have been made by authoritarian regimes. In such contexts social policy has been largely dependent on the ideological predilections of the ruling elite or bureaucracies, often to “buy peace” or to carry out the mandate of the popular movements that may have placed them in power. However, democracy provides more space for the social articulation of interests and has, over the years, been used by social movements to push for social policies. Consequently, while one may not witness radical redistributive policies under a democratic regime, one

does not find the kind of egregious neglect of social policies as can occur in an authoritarian regime.

A strong case can be made that social policy and how poverty is dealt with can affect the development of democracy. They can contribute to its consolidation as well as enhance its quality by improving the security of the overwhelming majority of citizens, improving social solidarity (a cornerstone of citizenship), weakening clientelistic social relations, and enhancing the capacity of citizens to participate in public life as autonomous actors. In other words, social policy may impact the political system and democracy through social cohesion. However, all this depends on the nature and effectiveness of social policy and the political perceptions around it.

XII. State Capacity

It is important to align policy choices with institutional capacity. The state is a key institution as an organizer, if not necessarily a provider, of social protection and provisioning. States that are well institutionalized are better able to translate political commitments into effective social policies and delivery systems. Social policies are demanding in terms of the quality of social institutions they require, as well as in terms of financial resources, efficiency, transparency and integrity. “Capacity” does not only refer to the direct provision by the state of social services through public expenditure, but also its ability to regulate and stimulate non-state actors in the fulfilment of requirements in social sectors. The necessary capacity is not only administrative or technocratic, but even more importantly political, in terms of building the necessary consensus or “social pacts” for the coordination of otherwise segmented and conflicted initiatives.

Much commercialization of service provision is premised on the regulatory capacity of the state, the responses of the bureaucracy to the new policy regime and the development and performance of the private sector. In many cases the developed countries are looked to as examples, and their experiences are assumed to be equally applicable to developing countries. However, the more developed the market, the greater the regulatory capacity of the state. Consequently, just because deregulation has worked in the developed countries does not mean it can work in the less developed countries. Liberalization in countries with weak markets may demand of the state a regulatory capacity that it simply does not have. In many cases this has led to inefficient monopolistic markets without the redistributive imperatives of state enterprises, producing both

inefficiency in production and inequity in access to social services. These effects have been compounded by the general weakening in capacity of the public sector labour force, as well as by its wanton retrenchment.

Increasingly, service provision is being transferred to NGOs. Experiences with voluntary service provision suggest that there are often difficulties in scaling up to the national level activities that work at the micro level. Voluntarism tends to entail inherent institutional limits to coverage. In any case, the juxtaposition between voluntary and compulsory insurance schemes can be misleading. In many cases compulsory social insurance programmes tended to emerge either when the very broadest pre-existing voluntary movements pushed for them or when a weak pre-existing movement proved entirely unable to meet the demands for running the system. In addition, the success of a voluntaristic approach depends crucially on the institutionalization of such basic rights as the right to organize, as well as on the administrative capacity of both the state and voluntary organizations.

XIII. Financing Social Policy

The instruments for financing social policy must be fiscally prudent and compatible with other social goals, including equity and efficiency. Many “populist” regimes have ultimately foundered on the basis of a macroeconomic populism that paid scant attention to this delicate balance or confined itself to “give but not take” policies. Most populist policies and programmes ultimately fail because they do not ensure fiscally responsible financing. Successful welfare regimes have also tended to be higher tax regimes. More conservatively inclined regimes have reduced state capacity for social provisioning by reducing taxes on the rich.

In many countries mineral rents make up a major source of revenue. There is also considerable evidence that such wealth is misused and that these resources are not used effectively for social development. Some have construed this to suggest that a “resource curse” befalls all countries richly endowed with mineral resources. But there are cases confounding the “resource curse” thesis, and these need to be better understood.

XIV. Social Movements and Social Pacts

Social movements and social contestation are important determinants of social policy. Such movements have affected social policies in direct and indirect ways. In the

most direct way, social mobilization has placed certain items on the policy agenda. In many cases, elite understanding of what is required to pre-empt or forestall social unrest may have driven social reform. Social pacts have played an important role in shaping social policies in a number of countries, especially in democratic ones.

XV. A Diversity of Instruments

A wide range of instruments may be used to reach certain universal goals. Even in “models” that are, for heuristic or comparative purpose, identified as one “welfare regimes” (e.g., the Nordic countries), there are substantial differences in instruments used and paths traversed over time. Instruments have included fiscal policy, land reform, social legislation, classical welfare measures, regulation of the private sector, etc. The choice of instruments and the dominance of one set of instruments over others is often the result of a complex interplay of forces—political compromises, ideological predispositions, institutional structure, and responses to the economic and political environment—the combination of which may be unique to each country. The “political feasibility” of a particular set of policies is determined by a country’s history and is a reflection of the constellation of social forces. This speaks against one-size-fits-all approaches. Societies must be allowed more room and more instruments for devising policies appropriate to their circumstances.

XVI. Policy Regimes

Social policy should be formulated within a policy regime framework that includes social policy, economic policy and political regimes. An important determinant of the success of social policies is the recognition of sectoral affinities or complementarities between institutions located in different spheres of the political economy. In such situations, the structure and directions of movements in one sector complement those in the others.

XVII. Appendix

Books

- **In Search of Inclusive Development: Social Policy in Sub-Sahara African Context**, Jimí O. Adésinà (ed.), UNRISD and Palgrave Macmillan, forthcoming.
- **Democracy and Social Policy**, Yusuf Bangura (ed.), UNRISD and Palgrave Macmillan, forthcoming.
- **Latin America: A New Developmental Welfare State Model in the Making?**, Manuel Riesco (ed.), UNRISD and Palgrave Macmillan, forthcoming 2006.
- **Pro-Poor Macroeconomics: Potential and Limitations**, Giovanni Andrea Cornia (ed.), UNRISD and Palgrave Macmillan, forthcoming 2006.
- **Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services**, Yusuf Bangura and G. Larbi, UNRISD/Palgrave Macmillan, 2006.
- **Social Policy and Economic Development in the Nordic Countries**, Olli Kangas and Joakim Palme (eds.), UNRISD and Palgrave Macmillan, 2005.
- **Social Policy and Economic Development in the Middle East and North Africa**, Massoud Karshenas and Valentine Moghadam (eds.), UNRISD and Palgrave Macmillan, 2005.
- **Commercialization of Health Care: Global and Local Dynamics and Policy Responses**, Maureen Mackintosh and Meri Koivusalo (eds.), UNRISD and Palgrave Macmillan, 2005.
- **Globalization, Export-Oriented Employment and Social Policy: Gendered Connections**, Shahra Razavi, Ruth Pearson and Caroline Danloy (eds.), UNRISD and Palgrave Macmillan, 2004.
- **Social Policy in a Development Context**, Thandika Mkandawire (ed.), UNRISD and Palgrave Macmillan, 2004.
- **Transforming the Developmental Welfare State in East Asia**, Huck-ju Kwon (ed.), UNRISD and Palgrave Macmillan, 2004.

Papers

- **Targeting and Universalism in Poverty Reduction**, Thandika Mkandawire, Programme Paper SPD 23, 2005
- **Transforming the Developmental Welfare State in East Asia**, Huck-ju Kwon, Programme Paper SPD 22, 2005
- **The Politics of Welfare Developmentalism in Hong Kong**, Eliza W.Y. Lee, Programme Paper SPD 21, 2005
- **Política social y reforma social “a la tica”: Un caso paradigmático de heterodoxia en el contexto de una economía periférica**, Manuel Barahona, Ludwig Güendel and Carlos Castro, Programme Paper SPD 20, 2005
- **The Adult Worker Model Family, Gender Equality and Care: The Search for New Policy Principles, and the Possibilities and Problems of a Capabilities Approach**, Susy Giullari and Jane Lewis, Programme Paper SPD 19, 2005
- **“Globalization” and Social Policy in a Development Context: Regional Responses**, Nicola Yeates, Programme Paper SPD 18, 2005
- **The Developmental Welfare State in Scandinavia: Lessons for the Developing World**, Stein Kuhnle and Sven E.O. Hort, Programme Paper SPD 17, 2004

- **Late Industrializers and the Development of the Welfare State**, Christopher Pierson, Programme Paper SPD 16, 2004
- **Women's Employment and Welfare Regimes: Globalization, Export Orientation and Social Policy in Europe and North America**, Ann Shola Orloff, Programme Paper SPD 12, 2002
- **Gender and Education: A Review of Issues for Social Policy**, Ramya Subrahmanian, Programme Paper SPD 9, 2002
- **Dynamique de la politique sociale en Côte d'Ivoire**, Francis Akindès, Programme Paper SPD 8, 2001
- **Social Policy in a Development Context**, Thandika Mkandawire, Programme Paper SPD 7, 2001
- **Social Policy in a Development Context**, UNRISD Conference News, March 2001
- **Les politiques sociales en Afrique de l'Ouest: Quels changements depuis le Sommet de Copenhague? Synthèse des études de cas (Bénin, Burkina Faso, Côte d'Ivoire, Mali, Sénégal)**, Momar-Coumba Diop, Programme Paper SPD 5, 2001