

3. From the point of view of social integration, what are the pros and cons of pursuing targeted versus universal approaches to poverty eradication and employment promotion?

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In international policy community social integration is understood as both an ideal or political goal to achieve and a process for it. It suggests that social integration is about a just, safe, and stable society as an ideal or political goal through a process to transform the society with inequality and exclusion into one with equity, inclusiveness and peace. Specifically it is about the cultivation of solidarity between different groups of income, gender, ethnicity, locations, age, and physical and mental condition through socio, economic and social process. Poverty eradication, productive and full employment and decent works are the strategic goals and processes on their own and the ones interrelated and mutually reinforcing with social integration.

In these processes, discourses of social policies were revolving around the choice of core principles behind social provision, i.e. universalism or selectivity through “targeting” on the one hand and actual programmes of social policy which were somewhere between two extremes on a continuum on the other.

In the following section, we briefly introduce the discourse on and policies of universalism and targeting approach in the history of social development. And we explain the nature of both approaches and implications for social integration inherent in the programmes of each approach. In the conclusion, we summarise the discussion and suggest policy recommendations on social provisioning for poverty eradication and full employment from the perspective of social integration.

Shift to targeting

Since the 1980s in both developed and developing countries the principle of social provision shifted from universalism to targeting in the midst of shifting ideology to neo-liberalism emphasizing individual responsibility for individual misfortune and limited role of state on the one hand and spreading fiscal crisis on the other. In developed countries workfare principle became dominant over welfare and many developing countries began to unravel various forms of universalism established under the name of the developmentalism, socialist ideologies and nation building during the 1960s and 1970s.

Targeting approach as a guiding principle took on two tasks; identifying those responsible for their own misfortunes and reducing the “social wages” or “social costs” represented by social transfers and social services. Collective responsibility for individual misfortune underpinning universalism was unravelled and solidaristic spirit within the welfare state was replaced by market principles based on individual quid-pro-quo exchange such as work requirements and user fees for benefits. Pro-poor policies in developing countries dismantled universal provisions and emphasised the provision of safety nets to mitigate the social consequences of the structural adjustment process. Usual mechanisms based on individualism and market principle were applied. “well targeted transfers” and “safety nets” became major instruments

for poverty reduction and “efficiency” instead of redistributive and transformative concerns the major criterion for policy design and assessment. These changes were dubbed as “pro-poor growth” and “new managerialism”.

Targeting approach

One of the main arguments for targeting approach is that it can reduce high leakage found in universal schemes, thus is efficient in terms of reduction of poverty. In theory targeting schemes allocate limited resources earmarked for social transfers to a designated subgroup of the population, generally excluding those not in need and concentrate resources on the poor. Identification of the poor is done in various ways ranging from simple self-targeting models to more complicated poverty mapping models through means testing

However the accuracy of targeting has been in a consistent controversy. It has been criticized that due to information gaps and insufficient data to define the poor precise targeting cannot be achieved. Misreporting also lead to exclusion errors (under-coverage) and inclusion errors (leakage). Even those targeting schemes praised as “success stories” in terms of targeting accuracy by UNESCO and World Bank such as Bolsa Escola and Bolsa Familia of Brazil (Cash transfer conditional to school attendance and vaccination), Subsidized Health Insurance Regime (SHIR, health social assistance) of Colombia, and conditional cash transfer of Progresa (later called Oportunidades) Poverty alleviation programme of Mexico suffer from a substantial under-coverage rate, i.e. exclusion of the people in need (Dutrey, 2007) (Soares, Ribas, & Osorio, 2007).

In developing countries where the poverty is widespread and institutional capacity of benefit transfer and the degree of transparency are low, targeting schemes are either much more costly, inefficient or both than a universal scheme. Table 1 shows that targeting efficiency is as same as that of universal scheme when taking into account a standard ratio of leakage and under-coverage of a successful targeting scheme as in the cases of example 3 and 4 and including all of the poor. Taking into account the administrative cost of targeting for identification and transfer will further reduce the efficiency of the targeting schemes compared to universal schemes.

Table 1. Simulations of efficiency

Form of provision	1 st quintile	2 nd quintile	3 rd quintile	4 th quintile	5 th quintile	“targeting efficiency”	Benefit per poor individual	Under-coverage(%)	Leakage(%)
1. Universal	200/4	200/4	200/4	200/4	200/4	1.0	50	0	0
2. Ideally Targeted	500/4	500/4	0/4	0/4	0/4	2.5	125	0	0
3. “Standard” leakage: all poor coverage	340/4	340/4	200/4	100/4	20/4	1.7	85	0	If 32
“standard” coverage	500/2 (0/2)	500/2 (0/2)	0	0	0	5	250(0)	If 50	0
“Standard” leakage: “standard” coverage	340/2 (0/2)	340/2 (0/2)	200	100	20	3.4	170(0)	If 50	If 32
4.Bolsa Familia(2004)	255/1.96 (0/2.04)	255/1.96 (0/2.04)	303	155	32	5.2	130(0)	59	49

Based on an assumption that a fixed budget 1000 units are allocated for social programmes and given that there are four people in each quintile group. Source: (Dutrey, 2007)(Soares, Ribas, & Osorio, 2007)

Improving efficiency demands lowering both leakage and under-coverage. Lower leakage through stricter means testing, however, often means higher under-coverage and vice versa. Lowering both leakage and under-coverage requires complex systems at often dramatically increased costs.

Although comprehensive data on the costs involved in identification of the poor, transfer of benefits and fraud control are not available, many researchers agree that targeted programmes are far more costly than universal programmes (Smith & Subbarao, 2003).

Most targeting schemes placed a strict focus and priority on leakages whereas the under-coverage of the poor is taken less seriously. Targeting schemes must test each case individually, compared to universal schemes, they are to a greater extent subject to the suspicion of cheating, arbitrariness, and discrimination. It significantly undermines procedural justice and reduces trust and social capital. (Kumlin & Rothstein, 2005). The costs of erosion of institutional and interpersonal trust can be far higher than the economic one from the perspective of social integration.

In addition, there are other, but no less important, non-economic costs involved with targeting such as stigmatization of the poor and corruption and clientelism. These problems significantly not only lower the take-up rate but also undermine the collective psychology of solidarity and collective responsibility of individual misfortune, in particular when the population receiving benefits becomes smaller and less powerful.

Targeting is often portrayed more redistributive than a universalism because the benefits of social transfers are higher for individuals or households at the lower end of the income distribution than at the upper end. As we have seen in the Table 1, however, it only applies to those included in the category of beneficiaries. Targeting approach withholds resources from some of the poor and concentrates them on what becomes a “privileged poor”, mostly easily reached poor administratively or culturally (Dutrey, 2007). Widening the cleavages between the poor by gender, ethnicity and location and marginalizing the already vulnerable group further, it increases horizontal as well as vertical inequality. Put it simply, you cannot fight for the social integration with programmes excluding a high number of the socially marginalized.

The political sustainability of targeting schemes is related to the marginalisation and segmentation of the poor. The stigmatization and marginalization inherent in the process of means-testing and identifying the “deserving poor” affect self-respect and the respect accorded them by others. Institutions for stigmatization and marginalization define the boundaries of political community in terms of the membership, the degree of inclusion of various members and the content and meaning of citizenship, which consequently leads to disintegration of society (Sen, 1995) (Mettler & Soss, 2004). In addition, middle class support for the benefit of targeting schemes is easily lost during the recession when the benefit is needed more than ever since they cannot benefit from this scheme. Targeting scheme with small number of and politically weak beneficiaries cannot reproduce strong political force for the social integration which universal schemes would have, in particular under the political and economic crisis.

Universal approach

One of reasons behind the attack on universal provision was based on the “fiscal limit” or “fiscal constraint” thesis. In the developed countries demographic shifts and widespread unemployment led to the realization that there might be fiscal limit to universal provision. Underlying logics for this fiscal constraint and fiscal limit is that when it is impossible to increase taxes, you cannot afford the universal provision. The argument by the fiscal conservatives in Ireland to limit the entitlement of medical card for 70 year-old is the latest version of this kind. This argument is missing the point that universal provision is not only providing benefits for all, but affecting production, distribution, redistribution and reproduction functions of the society. Excessive burden arguments on financing universal provision through taxation, i.e. far higher economic costs than the government gains from revenues, do not consider the political, economic, social benefits from universal approach which have been empirically proven by Scandinavian cases. Universal provision, in particular education, health, and unemployment benefits, increase gainful employment and productivity and consequently broaden tax base.

It is often argued that universal provision is not redistributive since the better-off receive same benefits as the poor. This equity concern misses the feature of the welfare institutions which act as intervening variables, shaping the political coalitions that eventually determine the size and redistributive nature of the national budget and tax system as a whole by defining interests and preferences among citizens, the rational choices they make and the ways in which they are likely to combine for collective actions (Korpi & Palme, 1998). Elective affinity between the preference for universalism and other measures such as highly progressive taxes found in the historical evidences can be one of telling examples for this feature. Thus, the non-redistribution in transfers is more than compensated for redistribution in other areas (Korpi & Palme, 1998)(Mkandawire, 2005). This synergetic relationship between diverse social provision schemes in the areas of protection, redistribution, production and reproduction is the source of redistribution of universalism.

Universalism in developing countries are often criticised because of a strong bias in favour of social groups for industrialisation and nation building projects in its developmental process. The experiences of late industrializers such as Germany and Japan and late-late industrializers in Latin America and East Asia also show that professed “universal” schemes were not really universal when it was launched but highly stratified system in its developmental trajectories. However, the experience of developmental welfare states in East Asia shows the importance of the universalism set as a goal to achieve in the future although not a reality. South Korean health insurance, for instance, did not cover entire population when it was launched in the 1970s. However the programme was designed as a universal scheme which was supposed to cover the entire population. The rationale of universalism within the policy design shaped the political discourse and became a driving force for fully universal programme when democratisation process began (Yi, 2009). The gradual expansion was closely interrelated with the process of economic and political development and a part of process of social integration.

One of the major criticisms against the welfare state is that it promotes welfare dependency, in particular in the area of unemployment programmes. The targeting

approach identifying the “deserving poor” has been argued to be effective in reducing the welfare dependency while universalism has been considered to be lenient about or even promote welfare dependency because of its non-conditionality. However policy measures reducing welfare dependency are possible in universal schemes as well as in targeting approach as we can see in the cases of Scandinavian countries in employment promotion since the 1980s. Although it is true that long-term unemployed and social assistance recipients are under different terms and conditions in terms of eligibility and benefit levels in these countries, recent “one-stop-shop model” where all citizens of working age, regardless of their status related to the unemployment insurance, are facing the same work requirements have a strong universalistic feature in employment promotion (Johansson & Hvinden, 2007).

Concluding Remarks

By highlighting the problems of targeting approach such as inevitable exclusion of the poor, high cost, political unsustainability, facilitation of the distrust and erosion of the social capital, this paper argues that targeting approach is not a desirable one for basic welfare approach and major poverty alleviation programmes and it undermines the social integration process.

The administrative feasibility, i.e. inevitable imperfect targeting resulting in the exclusion of those in need and high cost of identification and delivery, is critical element to assess the role of universalism and targeting in integrating society since the vulnerability of the poor is related to the uncertainty about the future. While the ex post feature of the targeting approach can be a segment of the poor excluded from the benefits, the ex ante feature of it is the fear and distrust of all the poor, and possibly a whole society.

The choice between universalism and targeting is not only about optimal allocation of limited resources for poverty reduction and full employment but also about formation of political coalitions that would expect to make such policies politically sustainable (Mkandawire, 2005). Affecting the definitions of interests of different groups, the choice discourages or encourages coalition formation between the poor citizens and better-off citizens and between the working class and the middle class, which is one of major sources of social integration. Targeting schemes alienating the poor or certain groups from the majority result in differing interests and identities of the groups and consequently contribute to disintegrating society.

Since we have explained the nature of universalism as opposed to targeting approach in gladiator style, many variants in the category of universalism in terms of principles of entitlement and benefit levels have not been dealt with in detail. It needs further discussion since the entitlement, benefit allocation and administration at the point of service and benefit delivery are closely related to various factors other than the nature of the universalism itself. In particular, despite its comparative advantages in poverty alleviation, full employment and decent works, and consequently social integration, the so called “paternalism” of universal approach, i.e. imposing of the need criteria for all, may need more attention. It should avoid blunt totalizing diverse needs and stymieing the process to re-evaluate the socially recognised and agreed upon needs. It implies the limited but complementary role of selective or targeting affirmative actions to address the diversity of needs. The universal programmes with

complementary targeting measures, however, should be carefully designed and implemented depending on the nature of the needs they address in order to avoid the problems mentioned above.

Acknowledging there is not one-size-fits-all universalism, this paper argues that universalism of which entitlement is based on citizenship and allocation of benefits is related to the previous earnings is much more likely to form cross-class coalition since they are more likely to prevent the privileged and higher income groups from seeking exit option in private insurance from universal programme (Korpi & Palme, 1998). In reality, most governments tend to have a mixture of both universal and targeted social policies. Overall social policy of most successful cases are those with universal approach where universal schemes are based on citizenship and earnings related benefits and targeting schemes play a role of one instrument for making universalism effective, which is called “targeting within universalism” by Skocpol. However universal scheme with low flat rate benefits and large private scheme to which the affordable can be attracted can be a source of high inequality. This suggests that we need more efforts to examine various dimensions of universalism such as criteria of entitlement and benefit allocation, provision, price and resource availability when assessing the impact on the poverty eradication and social integration.

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