

**Social Policy in South Asia:
Towards Universal Coverage and Transformation
for Achieving the Millennium Development Goals**

24-25 May 2006
Kathmandu, Nepal



©Ragini Upadhyay Grela

Social Policy in a Developmental and Political Context

Peter Utting, Deputy Director
United Nations Research Institute for Social Development
(UNRISD)

Paper Presented at Workshop

This session of the conference, 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.

We generally understand social policy to be public policies and practices that directly influence the welfare and security of various groups within a particular society. Social policy typically includes social security arrangements (associated with 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 active labour market policies and land reform can also be placed under the rubric of social policy. Furthermore, standards and regulations that shape the role of non-state actors and markets in social provisioning are an important feature of social policy.

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 by contributing to democratisation. It should lean towards **universalism** as opposed to narrow conceptions of targeting, and it should be sustainable both financially and politically.

In this presentation I will briefly highlight some of the main findings from this work that seem particularly relevant for our discussions here. In doing so, I will draw heavily on the writings of my colleagues and other researchers associated with UNRISD¹, as well as work I have been co-ordinating on the role of the private sector in social development and changes in contemporary international development discourse and policy.

These findings are grouped under three headings:

- The contribution of social policy to development;
- Some contemporary issues in social policy reform associated with privatisation, corporate social responsibility and targeting; and
- The relationship between social policy and democratisation.

By way of conclusion, a number of recent institutional and political reforms or developments that may be conducive to transformative social policy are considered.

¹ In particular Thandika Mkandawire, Shahra Razavi, Yusuf Bangura, Naren Prasad and Maureen Mackintosh and Huck-ju Kwon.

1. The Contribution of Social Policy to Development

We live in the era of globalisation, 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 corporate and trade-related taxes; and
- flexibilise labour markets and side-line certain aspects of labour market policy.

It also means a reconfiguration of the relative roles and responsibilities of international organisations, central and local governments, non-governmental organisations (NGOs), trade unions and the private sector, through the privatisation of public services, corporate social responsibility, decentralisation and the channelling of development assistance through NGOs (UNRISD 2000). Such developments also involve the strengthening of technocracy and bypassing some democratic institutions in decision-making processes (Bangura and Larbi 2006). In addition, they alter the roles and responsibilities of women and families in both the social and economic domains (Razavi and Hassim 2006).

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

The starting point for UNRISD's work was the recognition that social policy is a key dimension of government policy not only for social protection, but also for equity and economic development. (UNRISD 2006).

- 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. It can also contribute to growth 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.
- 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 characterised, for example, the late industrialisers of northern Europe, East Asia and some Latin American countries - has been concerned with social protection, redistribution,

production and reproduction, as well as social rights, social cohesion, political stability and regime legitimacy (Mkandawire 2004; Huck-ju Kwon 2005; Kangas and Palme 2005). However, 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 overemphasises productivist aspects of social policy, as occurred to some extent in East Asia, would likely encounter political opposition. A purely “protectivist” approach would likely fail on both counts (UNRISD 2006).

This analysis suggests the following:

1. if the goal of development is to build societies that are socially inclusive and economically and democratically robust, 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 others;
5. social policy is not something that should be determined on the basis of top-down technocratic decision-making and standardised policy prescriptions; its content and sustainability will depend very much on institutional, political and historical factors.

2. Some Contemporary Issues in Social Policy Reform

Two of the most prominent areas of social policy reform of the past two decades relate to targeting and the role of the private sector in social provisioning. Both these developments raise important questions about the effectiveness of contemporary policy approaches and the roles and responsibilities of public and private institutions and actors.

Private enterprise, and more specifically transnational corporations, are far more active 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 privatisation of social policy. First, large enterprises are engaging directly in providing essential public services. Second, companies are engaging in public-private partnerships and 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?

Commercialisation and Privatisation

As regards the commercialisation and privatisation of social services, UNRISD work on health care provisioning and urban water services suggests the following (Mackintosh and Koivusalo 2005; Prasad 2006; UNRISD 2003).

- Privatisation programmes that proliferated in the 1990s were heavily influenced by ideological considerations that prioritised goals associated with efficiency and neglected aspects associated with equity.
- Privatisation has often had perverse effects in terms of equity. Research that UNRISD is 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 privatisation process, giving priority to efficiency concerns often meant that regulatory dimensions were marginalised. 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 privatisation in many countries, policy makers fundamentally ignored the political economy of privatisation 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 (UNRISD 2004a; UNRISD 2004b). Nevertheless an increasing number of corporations are adopting a variety of initiatives in the social arena, and the CSR ethos and agenda is being institutionalised through the formation of new entities such as the UN Global Compact and NGO or multi-stakeholder standard-setting, monitoring and certification organisations. Apart from the limited evidence of significant improvements in social performance of companies, there are other major concerns with the CSR agenda (Utting 2006a)

First, while an increasing number of large corporations are taking initiatives in relation to one or a few specific aspects in the social domain, simultaneously they tend to engage in practices that have perverse effects, through for example, relying 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. The mainstream CSR agenda often ignores such contradictory practices.

Second, CSR involved the privatisation of regulatory authority related to social or labour market policy. Increasingly organised 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 minimise 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 from the perspective of governance and equitable development.

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 characterised the social funds that emerged as a palliative for structural adjustment programmes, and has evolved through broader-based programmes and schemes 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 mobilising political will to address poverty issues. And it has placed time-bound targets on the rhetorical goals that were set at various World Summits in the 1990s. But this approach also needs to be handled with caution for the following reasons (Mkandawire 2006).

First, targeting has often been pursued not so much as a way of reaching or reinforcing universalism but as part of broader policy approach associated with the unravelling of universalism.

Second, too narrow a perspective on targeting, such as that which has characterised many social funds related to structural adjustment programmes, seems to run counter to what we know about successful approaches to poverty reduction. Few 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.

Third, targeting is administratively quite complex. It is not 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. Moreover, 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.

Fourth, targeting can undermine the functioning of complex systems, which are crucial in the case, for example, of health and education. 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, obtain contraception, and negotiate intra-household relations (Jha and Subrahmanian 2006).

Fifth, targeting is risky and may backfire from a political economy perspective, in that by making the middle classes pay for privatised 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 organisations. 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 also 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 realise certain universal rights? And how sustainable are they both financially and politically?

3. Social Policy and Democratisation

The relationship between social policy and democratisation is a crucial issue given the wave of political reform that has enveloped many countries in the past two decades, as well as our host country, Nepal, in recent weeks. According to textbook political theory, democratisation should improve the well-being of the poor as political leaders and representatives become more responsive or accountable to citizens.

In countries where there is a strong association between democracy and social policy the following conditions generally exist (Bangura 2005):

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

Also welfare development is generally related to economic development although economic development is not a sufficient condition for effective social policy.

The relationship today between social policy and democratisation is far more complex and uncertain than theory and history suggest. Even when the poor are in the majority, democratisation 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 (Bangura and Hedberg forthcoming):

- 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 scrutinise 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 organisations, the rise of the unorganised 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.

In fact, what we see today is that many new democracies, even those dominated by left of centre political parties have adopted fairly orthodox neoliberal policies as, for example, in South Africa or Brazil (Mkandawire 2006). 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 standardised 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 (Bangura and Hedberg forthcoming).

In the context of globalisation, 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. In addition, technocrats within Central Banks, and economics and finance ministries, are often ideologically and academically in tune with such policy approaches (Bangura and Larbi 2006).

4. Recent Institutional and Political Reforms

All these factors and trends can result in what Thandika Mkandawire has referred to as “choiceless democracies”. Recently, though, we see several developments that may alter this scenario (Utting 2006).

In the past, left wing parties could rely to some extent on an alternative ideology and a rearguard of support from the socialist bloc. During the 1980s and 1990s such alternatives collapsed. Now in some Latin American and Middle Eastern countries we see the resurrection of **populist alternatives** to neoliberal orthodoxy which assign a high priority to social policy. In a few countries, this approach is fuelled not only by alternative globalisation ideologies but also large state-sector revenues from the extractive industries. Such scenarios and

possibilities, however, are few and far between, although they sometimes have spill-over effects in other countries. However, in regions like Latin America, we also see a more general resurgence of social democratic parties and governments.

A more widespread development concerns the increasing attention to “**good governance**”, and issues of transparency, participation, decentralisation, accountability and anti-corruption. Such institutional reforms could potentially 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 suggest.

But perhaps the major problem with the good governance agenda is that it has tended to let neoliberal reform off the hook. Development failures are largely understood as failures of domestic institutions in developing countries, rather than macroeconomic conditionality or unjust North-South and power relations (Utting 2006).

The third development relates to a more recent shift in thinking within some mainstream international development institutions, most notably **the critique of neoliberal orthodoxy and conditionality**. In 2005, 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 Human Development Report, UNRISD’s report on Gender Equality, UNCTAD’s report on Rethinking the Role of FDI, and UNDESA’s Report “The Inequality Predicament”. The World Bank also focused its attention on equity and acknowledged the important role of “some forms of redistribution” in the 2006 World Development Report.

What remains to be seen is how this intellectual 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 (Girvan 2005). Calls for greater policy coherence and policy space derive from both the heightened critique of neoliberal policies and conditionality, as well as the historical experience of some Asian and other countries that pursued a very different policy approach. Potentially policy space means:

- policies that are more in tune with domestic needs, priorities and realities;
- that governments can rely on a broader range of policy instruments, including social policy;
- the possibility for governments to correct imbalances that have arisen in state-market relations and to re-embed markets.

However, 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 sanitised participation that often characterises, for example, poverty reduction strategy processes, is limited in its transformative potential. The increasing attention to granting the excluded and disempowered greater “voice” may help in the design of more inclusive social policies and programmes, but voices not only need to be heard – those with voices need to become “players”. This requires more than dialogue; it

requires organisation, mobilisation and strategic alliances. Developments associated with the consolidation of NGO networks, transnational activism, the revival of trade unions and cooperative organisations in some countries, the organisation of informal sector workers, and the emergence and strengthening of certain multi-stakeholder institutions, and of new social pacts involving sectors of business negatively affected by neoliberal restructuring are relevant in this regard.

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 (Utting 2005).

Key questions relate to if and how such concepts or policy statements will transform 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 institutions, politics and history in concrete country settings, which is the focus of the presentations and sessions that follow. Thank you.

Selected References

Bangura, Yusuf and Carl-Johan Hedberg. Forthcoming. "Democracy and social policy development: Introduction and overview". In Yusuf Bangura (ed.), *Democracy and Social Policy*. UNRISD/Palgrave, Basingstoke.

Bangura, Yusuf and George Larbi. 2006. *Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services*. Palgrave Macmillan/UNRISD.

Bangura, Yusuf. 2005. *Democracy Responsiveness and Well-Being in Africa*. Paper prepared for the CODESRIA 11th General Assembly (Maputo, Mozambique, 6–10 December 2005). UNRISD, Geneva.

Girvan, Norman. 2005. *The Search for Policy Autonomy in the South: Universalism, Social Learning and the Role of Regionalism*. UNRISD (OC) Programme Paper 9. UNRISD, Geneva.

Jha, Jyotsna and Ramya Subrahmanian. 2006. "Secondary education in the Indian state of Uttar Pradesh: Gender dimensions of state policy and practice". In Shahra Razavi and Shireen Hassim (eds.), *Gender and Social Policy in a Global Context: Uncovering the Gendered Structure of "the Social"*. UNRISD/Palgrave, Basingstoke.

Kangas, Olli and Joakim Palme. 2005. *Social Policy and Economic Development in the Nordic Countries*. UNRISD/Palgrave Macmillan, Basingstoke.

Kwon, Huck-ju. 2005. *Transforming the Developmental Welfare State in East Asia*. UNRISD/Palgrave Macmillan, Basingstoke.

Mackintosh, Maureen and Meri Koivusalo (eds.). 2005. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. UNRISD/Palgrave Macmillan, Basingstoke.

Mkandawire, Thandika. 2006. *Disempowering New Democracies and the Persistence of Poverty*. Programme Paper on Democracy, Governance and Human Rights, Paper No. 21. UNRISD, Geneva.

Mkandawire, Thandika. 2005. *Targeting and Universalism in Poverty Reduction*. Programme on Social Policy and Development, Paper No. 23. UNRISD, Geneva.

Mkandawire, Thandika (ed.). 2004. *Social Policy in a Development Context*. UNRISD/Palgrave, Basingstoke.

Prasad, Naren. forthcoming. "Privatisation Results: Private sector participation (PSP) in water services after 15 years", *Development Policy Review*, vol. 24, no. 6, forthcoming (November 2006).

Razavi, Shahra and Shireen Hassim. 2006. "Introduction". In Shahra Razavi and Shireen Hassim (eds.), *Gender and Social Policy in a Global Context: Uncovering the Gendered Structure of "the Social"*. UNRISD/Palgrave, Basingstoke.

United Nations Department of Economic and Social Affairs (UNDESA). 2005. *The Inequality Predicament: Report on the World Social Situation 2005*. United Nations, New York.

United Nations Conference on Trade and Development (UNCTAD). 2005. *Economic Development in Africa: Rethinking the Role of Foreign Direct Investment*. United Nations, New York.

United Nations Development Programme (UNDP). 2005. *Human Development Report 2005: International Cooperation at a Crossroads: Aid, Trade and Security in an Unequal World*. UNDP, New York.

United Nations Research Institute for Social Development (UNRISD). 2000. *Visible Hands: Taking Responsibility for Social Development*. UNRISD, Geneva.

_____. 2003. *Research for Social Change*. UNRISD, Geneva.

_____. 2005. *Gender Equality: Striving for Justice in an Unequal World*. UNRISD/UN Publications, New York.

_____ forthcoming (2006). *Social Policy in a Development Context*. Research and Policy Brief No. 5. UNRISD, Geneva.

Utting, Peter (ed.). 2006. *Reclaiming Development Agendas: Knowledge, Power and International Policy Making*. UNRISD/Palgrave, Basingstoke.

Utting, Peter. 2005. *Rethinking Business Regulation: From Self-Regulation to Social Control*. Programme on Technology Business and Society, Paper No. 15. UNRISD, Geneva.

The World Bank. 2005. *World Development Report 2006: Equity and Development*. The World Bank/Oxford University Press, Washington, DC.