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CONFERENCE NEWS

Social and Political Dimensions of the Global Crisis

Implications for Developing Countries

*Report of the UNRISD Conference
12-13 November 2009, Geneva*

Overview

In 2008 it became apparent that what had started as a financial crisis affecting international capital markets had translated into an economic crisis of global proportions with serious social consequences. Discussions at the international level focused primarily on the channels through which the crisis in financial markets was transmitted to the real economy, the largely unforeseen economic consequences of financialization, the economic impacts of the crisis, and the regulatory gaps that needed to be filled. The social and political dimensions of the crisis were absent from the discussion, or were addressed very superficially at best.

From a social development perspective, the following questions are particularly pertinent:

- Which social groups in developing countries have been most affected by the crisis, and how are they coping?
- What role can, and should, social policy play in addressing the social impacts of the crisis at the national level?

- What are the opportunities for change in social policy at the global level?
- What sort of politics is conducive to “transformative” change, given structural constraints and power relations?

To address these questions, UNRISD organized a conference on *Social and Political Dimensions of the Global Crisis: Implications for Developing Countries*, which was held in Geneva on 12–13 November 2009. Papers were presented by 24 researchers, identified primarily through a call for papers. The discussions aimed to examine ways in which social considerations could be integrated more comprehensively in reform proposals, and whether the crisis provided an opportunity to adopt more “transformative” policies or whether we were seeing a return to “business-as-usual”.

The summary of the discussions that follows begins by highlighting key points related to the social impacts, the role of social policy in addressing the crisis, and the scope for transformative policy. It then summarizes the discussions under each of the conference sessions.



Impacts and Coping Strategies

The first set of presentations examined the impact of the global economic crisis on different social groups in developing countries and the types of coping strategies they are adopting.

Most countries referred to in the presentations have experienced a deterioration in labour market conditions associated with significant retrenchment in certain sectors, declines in real wages, shifts from skilled to unskilled and regular to casual work, and a weakening of union power. Presentations emphasized the extremely difficult situations faced by urban informal sector workers, women, migrants and farming populations. Informally employed workers have been hit not only by employment contraction but also through lack of social protection. Women, in particular, face greater job insecurity and weaker claims on social security benefits, growing work burdens as a result of “distress sale” of labour and increased unpaid work. Women and girls also face reduced access to health care, and girls to education, compared with male family members. Migrants, who tend to be employed in informal labour markets under precarious conditions without access to social protection, and who lack household or community linkages, have been facing extremely precarious situations in many countries. And finally, migrant flows back to countries of origin are exerting further pressures in already struggling rural areas.

In the absence of significant support from governments, non-governmental organizations (NGOs) and business, as well as the difficulty in accessing government social programmes, most vulnerable groups have been left to fend for themselves through a combination of dissaving, distress sell of assets, reducing consumption levels, and incurring more debt to meet consumption needs. Mobilizing resources—or social capital—through informal social networks or institutions also plays an important role in coping strategies. While it is often assumed that families and communities are sufficiently resilient to crises, there is a danger of overburdening the domestic sector, which

may deplete its resources and leave irreversible negative impacts on the capabilities of children and adults.

Two key messages emerged from these discussions. First, households, families and communities play a crucial role in social protection and social reproduction in contexts of crisis. But their ability to take on additional burdens has been weakened by structural changes associated with migration, rural decline, informalization and recent multiple crises. Second, local support can help people to cope, but needs to be buttressed by both national and international action related to social policy, macroeconomic policy and governance structures. Institutional solutions and collective action need to occur at multiple levels: local, national, regional and global.

Social Policy

A second set of presentations dealt with the opportunities created for social policy reform at the global level and for a more comprehensive integration of social policies in national development strategies.

Several speakers emphasized the need for more universal approaches to social provisioning and assistance and, for that purpose, the need to (re-)build developmental welfare states. Participants discussed some of the current national policy responses. In some countries of the Caribbean, pre-crisis social and labour market policies have acted as built-in stabilizers and cushioned the effects of economic shocks. In Argentina, steps have been taken to deal with the negative consequences of privatization of social policy, for example, through the nationalization of the pension system. In China, a small part of the massive stimulus and investment package has focused on social investment. In India, a range of initiatives, focusing in particular on the rural sector, most notably a significant expansion of the workfare programme, have been undertaken recently. Many presentations highlighted the value of social policies in enhancing resilience; however, despite the strengthening of some social

programmes, most countries have focused their recovery efforts on stimulating growth through investment in infrastructure and export support. The policy response has also failed to address issues of exclusion of migrants and informal workers in social programmes and has paid insufficient attention to the question of direct employment generation. Furthermore, despite the fact that women are severely impacted by the crisis, social and labour policy responses have shown a lack of gender sensitivity.

In the context of globalization and given the limits of national policy responses, attention also focused on the crucial role of both regional and global social policy, as well as the necessary role of official development assistance (ODA). There are signs that certain institutions are paying more attention to the need for universal social policy. Particularly relevant are the efforts of several United Nations (UN) agencies to promote a “Global Social Floor” consisting of a basic social protection package. However, such efforts may run the risk of perpetuating a narrow approach to social policy centred on poverty reduction and protection, rather than a more rights-based and redistributive approach.

The key messages of the presentations emphasized the symbiotic relationship between economic and social dimensions of development. Countercyclical, social and stimulus policies can play a crucial role in both economic recovery and social protection. Yet many developing countries lack not only the capacity to mobilize fiscal resources, but also the policy space to venture down this path. Indeed, concerns were raised that the renewed importance of the International Monetary Fund (IMF) in global economic governance following the crisis may continue to limit the fiscal space of developing countries and thereby undermine current and future efforts to expand social policy.

Alternative Agendas

A third set of issues examined the opportunity for opening policy space for implementing an alternative agenda through a progressive crisis response.

There was near-consensus that the root causes of the present crisis and the social malaise of the past three decades are closely connected with the dominant ideological and development framework associated with neoliberalism. Many presentations stressed the need for a different growth path—one which focused less on financial investments and more on productive investment and job creation; less on export-orientation and more on domestic demand; as well as a real integration of climate change concerns—as an essential component of an alternative agenda. Importantly, a much greater role of the state, in particular the developmental welfare state, was seen as essential in implementing an alternative agenda. Others pointed out that the developmental welfare state needs to be complemented by a rights-based approach.

Participants debated how the crisis had impacted neoliberalism, and whether mainstream responses to the crisis are merely an exercise in damage control that will ultimately restore the neoliberal order—or whether a more “transformative” agenda concerned with social protection, equity and rights-based development might emerge. For some speakers the crisis represented a major blow to ideologies and policies of financialization, privatization and deregulation with a re-emergence of the role of the state. Others stressed the considerable resilience of neoliberalism, and indeed the prospect that it may actually be strengthened by this crisis. They argued that the prospects for fundamental social transformation in the wake of crisis are heavily dependent on certain paths of pre-crisis structural change. For example, financialization, the long-term decline of agriculture, and labour market informalization or flexibilization magnify the social effects of economic crisis *and* seriously curtail what governments see as the options available to them in the social and labour-market policy arenas.

On the other hand, many presentations stressed how contestation and civil society advocacy have played an important role in promoting progressive social policy initiatives. Nevertheless, the

fragmentation and dispersion of activism often undermine its transformative potential. A major institutional constraint in China, for example, relates to the weakness of civil society organizations that can act as a conduit for channelling local grievances and connecting the grassroots with the state. With regard to democratic institutions, the comparison of India and Thailand revealed variations in the “substance” of citizenship and electoral competition that partly explain variations in the social policy response of governments in relation to vulnerable rural areas. The phenomenon of weak or “low-intensity” democracies in Latin America was put forward as a partial explanation for why progressive public policy reform is unlikely to occur on any scale. Civil society pressure and avenues for democratic participation were seen as important in crafting public policies that are less responsive to the needs of capital, and more responsive to the needs of citizens.

Finally, the capacity of elites to dominate the terrain of discursive struggle means not only that very selective and partial explanations of crisis and crisis response will frame public and policy debates, but also that proposed solutions may well serve to transfer risks and costs onto subaltern social groups and developing countries. Whether or not truly transformative social policy change will happen will largely depend on developments in these arenas.

Opening

In her opening remarks, UNRISD Director **Sarah Cook** expressed concern that, as the initial shock of the crisis in the North passes and financial institutions stabilize, there is a danger of forgetting what the crisis means for ordinary people. As wealthy economies stabilize, there is the risk of losing the space opened up by the crisis for putting in place alternative policies that can create more sustainable and equitable outcomes. She hoped that the conference would draw attention to the neglected dimensions of the crisis, and discuss how to integrate social considerations into policy responses.

Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development (UN-DESA), gave a keynote address in which he characterized the crisis both as a danger and an opportunity, but regretted that so far the opportunity had not been seized. He presented evidence on the severe impact the crisis has had on the real economies of developing countries, and how the macro-level shocks (to growth rates, trade surpluses and reserves, foreign direct investment/FDI flows, food prices) have heightened vulnerability and generated social crises (joblessness, food insecurity and reduced social spending).

Turning to the question of global governance in the response to the crisis, Jomo argued that the G20 is likely to be a conflictive forum that may face difficulties in effectively addressing some of the more fundamental problems associated with financial fragility and macroeconomic instability. He drew attention to the considerably greater effort that has been put into G20 recovery in the form of stimulus packages, compared to the small financial commitments made in terms of ODA to Africa. He argued that the G20 continues to be dominated by the G7 countries, and much of the effort to date has gone into restoring the *status quo-ante*. For example, the crisis has seen funding for the IMF triple, yet without any serious effort at reforming the institution. Therefore, he suggested, the potential for transformative social change is not being seized; and there has been little more than rhetoric on social issues, in spite of promises that \$50 billion would be allocated to social programmes.

Jomo then reflected on the historic moment in 1944 at the Bretton Woods conference, when a new inclusive agenda was forged. The goals then being pursued went beyond monetary and financial considerations, and addressed the restoration of fair trade, sustained growth, job creation, reconstruction and development. This kind of encompassing vision of reform, according to Jomo, is needed today—one that is ambitious but grounded in the contemporary context. He argued that the recommendations of the Stiglitz Commission, which address some

major international lacunae, have been largely ignored. The Stiglitz Commission recommended the formation of a Global Economic Coordination Council, a new financing facility (with greater voice and representation), a new international reserve currency, an International Debt Restructuring Court, a Foreign Debt Commission and a Commission on Tax Cooperation, a Global Financial Authority, as well as a new policy surveillance mechanism. It also called for greater international coordination, from which everyone, especially the developing countries, would benefit.

Session 1—Impacts, Coping Strategies and Livelihoods

Chaired by **Raymond Torres**, the first session dealt with the impact of the current economic crisis on the livelihoods of different groups in developing countries and examined coping strategies adopted to confront economic downturn and hardship.

Indira Hirway presented evidence from a survey carried out between April and June 2010 on how the crisis is affecting small producers and informal workers in different labour-intensive sectors of the Indian economy. She argued that while the decline in exports is bound to affect small producers and informal workers in labour-intensive sectors most severely, these impacts are insufficiently captured in official statistics. The survey revealed that unemployment and under-employment had already increased, while the wages of those who remained employed had declined. Also, regular workers had been displaced toward more irregular forms of employment. Overall, monthly incomes had fallen by more than 30 per cent in some cases. Small producers were among the worst affected in the Indian economy. To cope with the economic downturn, workers and their families were forced to sell assets, increase borrowing, reduce food consumption as well as their education and health expenditures (particularly affecting girls), and increase women's paid work

and unpaid activities. Return migration to villages was another response. Similarly, the decline in remittances, coupled with the downward pressure on local wages due to increased labour supply, was creating pockets of extreme poverty. A major problem in this regard was the lack of institutional arrangements that would enable workers to retrain or look for alternative jobs.

Hirway argued that policies should guarantee universal social protection to all workers, provide skills training and upgrading, enhance the visibility of small producers and address their needs, and involve special bail-out packages for women. Further, employment guarantee schemes should be used more broadly to address the employment effects of the crisis. Finally, Hirway argued that the crisis should be used to critically question the export-oriented model pursued by India in recent decades and underlined the importance of the domestic market for future growth strategies.

Arindam Banerjee argued that the detrimental effects of decades of economic liberalization in the agricultural sector have heightened the vulnerability of rural populations to the current crisis. In India, three constraints, in particular, affect rural livelihoods, two of which can be directly attributed to the financial crisis. First, the onset of the global economic crisis, which has caused prices to crash for several exportable crops, reinforces already declining real returns in Indian agricultural production and thus exacerbates the income deflation that the primary sector has witnessed during the post-liberalization period. Second, the current crisis is further hampering credit availability to small-scale agriculture and other means of rural livelihood, accentuating the already disturbing trends of withdrawal of institutional credit from rural areas witnessed during the past decade of neoliberal financial reforms.

The third constraint is associated with the shrinkage of employment opportunities in the secondary and tertiary sectors, which have absorbed large numbers of rural migrant labour over the last decades. Rural-urban and rural-rural migration for employment, and

the sending of remittances to support families in native villages, have been an integral part of this coping response. As migrant workers are faced with lay-offs in the service and manufacturing sectors, the volume of intracountry “support” remittances to rural areas is likely to decline. At the same time, the return of some of these migrants to their villages is likely to further increase the alarming levels of hunger and malnutrition in the countryside. In order to arrest these adverse impacts, Banerjee argued for policies that aim at enhancing domestic demand and reducing dependence on export-oriented sectors for growth through reorienting production toward food crops in the long run, supporting cash crop producers, strengthening cooperative credit arrangements, and more vigorously implementing employment generation programmes associated with the National Rural Employment Guarantee Act (NREGA).

Andrew Downes provided an overview of the adverse effects of the current economic crisis on the small states of the Caribbean. Since the onset of the crisis, growth rates in Caribbean economies have declined, mostly due to a fall in exports of goods and services (particularly tourism), as well as construction activities. This has triggered rising unemployment, a decline in formal employment and, correspondingly, a larger role for the informal or alternative economy. The decline in employment opportunities is particularly pronounced among the youth. Barbados is the only country in the region that has an unemployment insurance scheme in place, and claims upon its benefits have increased significantly. Trade unions have been moderating their demands for wage increases, and agreements related to wage freezes, shorter working hours and work sharing have been reached through collective bargaining processes. Barbados’ social dialogue and tripartite national consultation have served as a model in the region. Caribbean countries have used a series of measures to respond to the employment and social impacts of the crisis, including macroeconomic stabilization policies to maintain aggregate employment levels and the expansion of social programmes.

However, limited fiscal space poses a serious problem for most of these countries. Housing, road works and social infrastructure have been the main targets of fiscal expansion. Labour market measures comprise training and retraining programmes (in almost all countries), improved unemployment insurance benefits (Barbados) and the establishment of unemployment schemes (in Antigua and Barbuda, and the Bahamas). Other countries, including Jamaica, St Kitts and Nevis, St Lucia, and Trinidad and Tobago, have responded through conditional cash transfers. However, with the exception of Trinidad and Tobago with its oil and gas revenue, Caribbean countries did not maintain a fiscal surplus in the period preceding the crisis and thus have little fiscal space for significant and longer term anti-cyclical measures to further expand social programmes.

Emma Allen examined the resilience of Savings and Credit Cooperatives (SACCOs) in sub-Saharan African countries, and agricultural cooperatives in Tanzania in the current crisis. The impact of the financial crisis on SACCOs has been that, while membership growth remained steady, assets and reserves declined in 2008. This resulted from the destabilization of members’ incomes, which led to reduced savings and reduced capacity to borrow. Another weakness which has emerged is that, on average, loans grew at a much lower rate than in previous years, although demand for loans increased. This suggests that SACCOs across Africa may be exercising caution in responding to the loan requests of members.

Agricultural cooperatives are suffering from both volatility in commodity prices and decline in global demand, which are affecting the income of producers. In Tanzania, it was reported that many cooperatives that bought crops from farmers failed to sell the products abroad due to the crisis. The government has therefore devised a strategy to ensure that marketing cooperatives will continue to be able to access finance from banks and provide services to their members. Allen pointed out that such a strategy needs to be adequately resourced with credit and human resources to ensure implementation. Overall,

she concluded, the research findings indicate that economies of scale achieved through organizing into cooperatives and the longer term outlook of the model decrease vulnerability. However, many cooperatives in Africa are weak and can only provide limited help in mitigating the impact of the crisis, especially in cases where members' income has declined.

Diane Elson focused on the implications of the crisis for processes of social reproduction. In contrast to the government response to safeguard “reproduction of capitalist money” (in the banking system), as well as the “reproduction of capitalist production processes” (by preventing bankruptcies of large-scale capitalist firms), the response to needs associated with the “social reproduction of human beings” has been remarkably slow. Elson presented some preliminary findings from a multiregional case study on the impact of the financial crisis on the care burden. First, she argued, there is indeed evidence that households increase unpaid domestic work as a coping strategy. However, holes in the safety net become apparent when households sell assets, take children out of school, or cut back on medical expenses and meals. Second, unpaid care work can act as an intensifier of gender inequality in times of crisis, as women's health deteriorates (via malnutrition and stress), and distress sale of labour (for example, through sex work), as well as domestic violence, increase. At the same time, however, crises have the potential for transforming gender relations. Citing evidence from the United Kingdom, the United States and Ireland, Elson argued that unemployed men sometimes take on a greater role in unpaid care work, but she also warned that these gains may be temporary and not widespread. Third, unpaid domestic work may deepen economic downturns, as it reduces the demand for market goods, creating a “paradox of thrift”. Indeed, following a Keynesian view, unpaid domestic work acts like savings and depresses aggregate demand. What becomes the safety net for one household then reduces the earnings of another household whose members are engaged in the sale of goods and services.

In conclusion, Elson cautioned against the assumption that families and communities are sufficiently resilient to crises. She underlined the danger of overburdening the domestic sector, which may deplete its resources and leave irreversible negative impacts on human capabilities. Elson argued that the crisis should instead be seized as an opportunity to move toward a more equitable form of social reproduction, recognizing, reducing and redistributing unpaid domestic work more evenly.

On a similar note, **Lourdes Arzipe** raised the concern that the social impacts of the crisis are likely to intensify even further. She argued that processes of social reproduction were being overwhelmed, left to deal with many of the “hidden costs” produced by “dysfunctional phenomena” that would undermine economic recovery. The focus on economic aspects of crisis ignored other “interlocking crises”, such as illicit drug activities, a rise in violence and consumption of legal and performance-enhancing drugs, and the medical costs of “over-consumption”. Although the weight of these phenomena differs across countries, Arzipe argued, they are ubiquitous, pointing to the need to reconceptualize the economy together with the social and the environmental question.

Arzipe further discussed the impact of the crisis on migrants. Female migrants constitute an increasing share of international migrants, moving along “global care chains”. This migration is beginning to create serious care deficits in the South. The economic recession is leading to return migration, as well as a decline in remittances to developing countries. However, return migration is less apparent in countries, such as Bangladesh and Pakistan, whose governments help migrants to stay in the Gulf region. In terms of coping strategies, Inter-American Development Bank evidence shows that migrants are cutting back on spending, looking for new or additional jobs and moving to cheaper accommodation.

May Tan-Mullins compared the coping strategies of two culturally, socially and geographically distinct fishing villages: one in Indonesia during the Asian

crisis, and the other in China during the current global crisis. In Mendahara, Indonesia, she argued, the crisis unfolded in two phases. Due to the devaluation of Indonesian rupiah, the fishery sector benefited through increased export quantities. However, by early 1999, the prices of imports had increased by 300 per cent. The perceived “windfall” of the fishermen had thus vanished. The influx of temporary and return migrants to seek employment in the fishery sector led to an intensification of extraction, as well as conflicts over access to marine resources. In terms of coping strategies, households in Mendahara tended first to seek support from formal institutions, such as government agencies. While the number of poor families applying for government subsidies increased dramatically, there was no confirmation from the government that these subsidies were on the way by late 1998. Hence, fishermen turned to informal and kinship networks to fill in the gap. The entry of women into paid work in cottage industries and factories provided another strategy for coping with economic hardship.

In Shipu, China, the impacts of the current economic crisis played out differently. First, the fishing village is more integrated with a very robust domestic (rather than regional) economy. Second, Shipu fisherfolk are less exposed to currency fluctuations, due to the controlled exchange rate of the yuan. There are, however, signs of social and economic stress, related to the influx of migrants. Similar to Indonesia, households in Shipu village turned to formal

political, ecological and cultural processes and relations within a community.

The **discussion** following the presentations focused on the window of opportunity the crisis represented. Björn Beckman questioned whether the current crisis provided a window of opportunity with regard to labour. According to him, labour had been weakened by this crisis and employers were in a position to further shift the balance of power in their favour. He thus saw a very limited possibility for the kind of social dialogue suggested by Downes and exemplified by the Barbados case. Downes pointed out that the Barbados social partnership had prevented currency devaluation and enhanced productivity gains, but noted that, while other Caribbean countries had tried to follow this model, they had done so with less success. On a similar note, Rolph van der Hoeven warned of a jobless recovery and suggested that the state, which had acted as “lender of last resort”, should now play a role as “employer of last resort”. Banerjee argued that the window of opportunity should be used for reversing some of the deflationary macroeconomic policies imposed on developing countries in the past. He warned that recovery and a return of growth would not necessarily benefit smallholders and petty producers in India. Hirway added that a debate on employment recovery should not focus exclusively on the quantity of jobs created, but also on their quality and wage levels. Arizpe maintained that the main threat was a jobless recovery and that there were few public schemes for the unemployed in the South.

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