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Why Social Policy is Condemned to a Residual Category of Safety Nets and What to Do about It

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Abstract

There are several stubborn causes of the problem alluded to in the title, but I choose to dwell on four that are less obvious and also lend themselves to suggestions for a research agenda of use to policymakers and program designors and executors in developing countries. The *first* is a tendency in the international donor community to conceive of social policy in a way that allows them to "project-ize" and "micro-ize" it–a tendency that, remarkably, shows little variation from left to right across the donor spectrum. The *second* relates to the demise of the now-discredited models of import-substituting-industrialization and industrial policy–in many ways representing an advance in our understanding of development, but at the same time losing the strategic focus of this period on supporting the growth of local industry, and on including employment concerns centrally in economic-development policy, rather than marginalizing them. The *third* relates to the politics of the informal sector within developing countries, and how this–together with the preoccupation of the donor poverty agenda with the informal sector and small firms–renders more difficult the pursuit of certain aspects of a proper social-policy agenda within countries. The *fourth* points to the importance of managing the generic conflict of interest between workers and owners of capital through institutions of conflict mediation within countries, and the way in which this agenda is undermined, unintentionally, by certain aspects of the poverty-reducing agenda of the donor community. The paper includes a set of suggestions for comparative case-study research–based on the type of lessons that can be learned from a handful of illustrative cases presented in the paper–which could prove to be of benefit to policymakers and program designers and executors, as well as elevating certain aspects of social policy to more than a residual category with respect to economic development.

Introduction

I would like to start by congratulating Thandika Mkandawire for leading a badly needed initiative to re-think social policy in a way that does not condemn it to the residual category of "safety nets." There are several stubborn causes of this problem, including the ideological one, but I choose to dwell on four that are less obvious and also lend themselves to suggestions for a UNRISD research agenda.

The *first* is a tendency in the international donor community to conceive of social policy in a way that allows them to "projectize" and "micro-ize" it–a tendency that, remarkably, shows little variation from left to right across the donor spectrum. The *second* relates to the demise of the now-discredited models of import-substituting-industrialization and industrial policy, and the loss of their strategic focus on supporting the growth of local industry; this focus explicitly included employment concerns rather than marginalizing them. The *third* relates to the politics of the informal sector within developing countries, and how this–together with the preoccupation of the donor poverty agenda with the informal sector and small firms–renders more difficult the pursuit of certain aspects of a proper social-policy agenda within countries. The *fourth* points to the importance of managing the generic conflict of interest between workers and owners of capital through institutions of conflict mediation within countries, and the way in which this agenda is undermined, unintentionally, by certain aspects of the poverty-reducing agenda of the donor community.

Projectizing and Micro-izing

For all the talk of policy reforms, most donors–as funding organizations–have to organize their work around designing and funding projects. It is their *modus operandi*, their bread and butter. This "project imperative," in turn, influences the way they define the poverty-reduction agenda, or any other for that matter. Historically, however, many of the needed social policy commitments and reforms that have had the largest proven impact on poverty–such as social-security and other social-insurance mechanisms–evolved on a much broader canvas in terms of administration, policy and politics, and demand-making by organized groups. They did not emerge from the humble beginnings of the microized or projectized approach, though the latter might fit comfortably within such a broader initiative.

Social Investment Funds (SIFs) are but one recent and major example of the project approach to poverty reduction, as supported by many donors large and small.[1] In such programs, a central-government agency or unit disburses grant funding to myriad communities, sometimes through local governments, for small projects like road paving or rural electrification, the building of schools or clinics, microcredit, and so on. Typically, the projects are said to be decided on by the community in a participatory fashion. Since the late 1980s, the World Bank, the Inter-American Development Bank, and the European donors together have committed more than US$3.5 billion to the creation and perpetuation of SIFs in more than 40 countries. The funds are routinely described as a "safety net" for the poor against the adversities of macro programs of adjustment and, more generally of economic growth in a globalized world.

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[1]There are several names used for the last decade's crop of social funds–including Social Funds (perhaps the most general category), and Social Emergency Funds (applying to temporary emergencies caused by natural or man-made disasters). I use the acronym SIFs (Social Investment Funds), rather than the looser category SIFs (Social Funds), partly because SIFs have become much more prominent in the current portfolio of social-fund projects, and partly so as to avoid confusion with the acronym commonly used for small firms (SIFs), including in a later section of this chapter.

Some attribute the large commitment of the major donors to SIFs as a poverty-reducing instrument to Washington-consensus views about reducing the role of government, and of central government in particular. This does not explain, however, the equal enthusiasm for SIFs or SIF-type projects by other donors that often oppose the so-called Washington-consensus or "neoliberal" views–such as NGOs and some of the of the smaller, more socially-oriented Northern European donors. In fact, the interest of these smaller donors can be better explained by their small size in comparison to the development banks, their provision of grant rather than loan funding, and the mandate of some of them to work through non-government organizations rather than governments. All this conspires toward an organizational imperative to produce a stream of bite-sized and discrete projects and, hence, to think in these terms.

The project-level view of the poverty problem, in turn, is highly compatible with other "micro-ized" views of poverty reduction that are now widely held–briefly, that decentralization together with community participation produces better services for the poor, and that NGOs are important actors in the carrying out of this agenda. I am not saying that these views are necessarily wrong, but rather that this noisy celebration of "the local" and nongovernmental tends to distract attention–even of those seriously committed to the poor–from broader social policy reforms.

The more micro views of how to approach poverty reduction have gained such strength that they seem to have become impregnable to contrary findings from evaluation research. For example, the findings of evaluations by the donors themselves on Social Funds–let alone of others–have been quite mixed. In particular, impacts on poverty and unemployment have often been found to be *in*significant, sometimes even when compared to more traditional and longer-lived employment-generating schemes.[2] This set of mixed findings does not mean that such decentralized schemes cannot serve other important purposes, like the execution of myriad small works projects. It does suggest, however, that SIFs and similar projects may be a rather dull instrument for the purposes of reducing poverty and unemployment. To offer them to national leaders as a "safety net" to catch those hurt by economic crisis can also provide these leaders, in certain ways, with a way *out* of facing the poverty challenge more seriously.

There is by now an extensive literature on the SIF experience, including a vigorous debate on their pros and cons.[3] My purpose in bringing them up here is not to add to the debates or review them,

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[2]With respect to insignificant impacts with respect to reducing poverty and unemployment, see that chapter in IDB (Goodman et al. 1997); with respect to comparisons to longstanding employment schemes, see Cornia (1999; 2001; 2001) and Stewart (1995).

[3]In addition to the works cited in the previous note, see the following for clearly pro or con arguments and evidence. For the pro view, the best source and the most extensive set of studies can be found on the World Bank's web site and the publications listed therein. For a concise pro and con set of arguments from *within* the World Bank, see van Domelen (pro) and Dellerman (con) at: www1.worldbank.org/publicsector/civilservice/acrext/vol1page1.htm. For the con view, see Cornia (1999; 2001; 2001),

but to point to the broader current of thinking they reflect and to how it contributes to the conundrum posed by Thandika Mkandawire as to why social policy is condemned to a residual category of safety nets.

For almost a decade, in sum, the "projectizing" and "micro-izing" mode of the operations of development organizations have captured and monopolized the imagination of the international development community, despite mixed evaluation findings. They have lulled many into believing that SIFs and other SIF-type projectizable initiatives will make significant contributions to resolving the twin problems of poverty and unemployment. The challenge to a research-supporting agency like UNRISD is to bring the attention of the development community back to more powerful instruments.[4] The following three sections provide some examples of how this might be done.

Employment, Economic Development, and Implicit Industrial Policy.

In the donor world, a kind of post-Cold-War "take" has emerged on the policies, programs, and lessons learned from the prior period of import-substituting industrialization (ISI) and strategic subsidization of investment in certain sectors to promote industrial growth. Whereas policies involving state subsidy and direction used to be denounced by those who did not like them as "communist," today they elicit a response that is even more withering–namely, that this kind of thinking is "old." This has resulted in a kind of "cultural revolution" with respect to the texts and the thinking of this prior period. No one is "allowed" to praise anything that happened then, and students are not assigned the literature of that period, let alone the substantial research on that experience, which negative *and* positive results.

Whatever judgments might be made today about the policies of the ISI period, and however less appropriate they might be in a trade-liberalized 21st-century world, policy concerns about employment creation in that period were wedded to those about economic development rather than, as today, mainly to social policy. Independently of whether the outcomes turned out to be good or bad or mixed, employment concerns had an explicit place *within* the policy thinking about economic development itself and shaped the various forms of public-sector support. Today, concerns about employment have no such home. No longer considered "serious economic development," they are now relegated to the realm of social policy, safety nets, and small-enterprise and informal-sector specific programs–a realm that has become marginal to the central project of economic growth. (The following section picks up on certain implications of this last development.)

Stewart(1995), and Tendler (2000b; 1999). For clearly mixed reviews, see IDB (1997), and a recent evaluation of the SIFs by the World Bank's Operations Evaluation Department (2002).

[4]Such as those discussed in Andrea Cornia's contribution to this volume and other works cited in the previous footnote (see References).

The marginality is reinforced by the new functional home for these concerns–in social-action, welfare, and labor agencies–and outside the public sector in NGOs–all of which have always had less power and prestige than agencies dealing with "economic development." The placement of these activities among such "social" agencies, and the "distributive" or divisible nature of programs that provide project funding for communities, also makes them highly suitable for patronage purposes. This, needless to say, compromises the employment-creating and poverty-reducing criteria that are supposed to guide allocation of these funds.

To be sure, much of the industrial policy of the ISI period itself rode roughshod over existing local economies, and sometimes ignored the development potential of local-firm clusters that today have become the object of so much interest. Though the ISI policies of tariff protection were meant to support the development of local firms, then, they did not necessarily perform well in terms of enhancing the potential of existing concentrations of small and medium firms. Also, we have by now learned that some of the most effective assists for employment-creating growth are carried out by subnational governments–states or provinces, and municipalities. Many such assists, in turn, were "lite", in contrast to the heaviness of the credit and other subsidies associated with the ISI period. Examples are the brokering of the connection to export markets, providing customized training to small-firm owners and their workers, or breaking particular efficiency-hampering infrastructure bottlenecks.

At the same time, however, the explicit and public articulation of industrial policy of the ISI period contributed to making the development of local industry and firms the subject of extensive examination and debate–in government, in development banks, in universities, and in the press. One important subject of policy attention was the attempt to forge customer-supplier linkages between foreign customer firms and local supplier firms, within the larger supportive policy context of laws requiring local content by foreign firms.

Today, in many countries, the debates about economic growth suffer from the lack of such attention to matters that directly and indirectly affect employment. It is not so much that industrial policy and its association with excessive subsidies and intervention is discredited, but that nothing as