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Review Article: Social Policy and Development in Global Context

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A. Hall and J. Midgely (2004), **Social Policy for Development**, Sage, London, 288 pages.
I. Gough and G. Wood (2004), **Insecurity and Welfare Regimes in Asia, Africa and Latin America**, Cambrdige University Press, Cambridge, 363 pages.
E. Rieger and S. Leibfried (2003), **Limits to Globalization**, Blackwell, Oxford, 402 pages.

This article reviews three recent books on social policy and development: Social Policy for Development; Insecurity and Welfare Regimes in Asia, Africa and Latin America; *and* Limits to Globalization. *In reviewing these books, this essay discusses national and global constraints that hinder the integration of social and economic delopment. It argues that social policy can be an effective instrument for overcoming economic and political challenges facing the developing countries. In the global context, it argues that for fairer globalisation and inclusive development, it is as important to secure policy autonomy for the developing countries as to get the International Financial Institutions' development policy right.*

Introduction

Social policy is again being considered as an integral part of development (Mkandawire, 2004; Sen, 1999). This is hardly a new contention in development thinking, having been argued since the Second World War (UNDESA, 1971), but such a view has been marginalised during the past three decades. Throughout the 1980s, for example, following neo-liberal theories, it was argued that market-driven economic growth could meet the social needs of the majority of the population, and that social policy should target the small remaining section of the society whose needs could not be met by the market. Based on this view, structural adjustment programmes were carried out in many developing countries in the 1980s and 1990s, but only led to higher vulnerability to economic and social shocks for a large proportion of the world's population, and consequently to poverty and enormous human suffering in many developing countries, while failing to achieve substantial economic growth (Cornia, Jolly and Stewart, 1987).

It thus seems to be an imperative for developing countries to integate social policy into the mainstream process of development: utilising social policy as an instrument of economic development, while pursuing the instrinsic goals of social protection.

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But do they have autonomy to pursue such a policy paradigm in a globalising world? What are the national and global constraints that prevent the developing countries from pursuing such a social policy and development nexus? Three recently published books – Hall and Midgley's *Social Policy for Development*; Gough and Wood's *Insecurity and Welfare Regimes in Asia, Africa and Latin America*; and Rieger and Leibfried's *Limits to Globalization* – provide an excellent opportunity to rethink social policy and development in the global context.[1] In reviewing these important contributions, this essay will, first, discuss the role of social policy for development and, second, identify national and global constraints that hinder an integrated approach to social policy and development.

Social development and the role of social policy

Hall and Midgley's main argument in *Social Policy for Development* is that an important role of social policy is its contribution to economic development, as well as fulfilling its intrinsic tasks such as social protection and equity. They also insist that the government should be actively engaged in the provision of social services as part of the process of economic development (Hall and Midgley, 2004: 68). In fact, Midgley has been arguing for this developmentalist approach for many years, reinvigorating Gunnar Myrdal's vision of development (e.g. Midgley, 1995; Myrdal, 1974).

I fully agree that social policy can be an effective instrument for economic development, but this is not a novel paradigm of social policy. It has been tried and proved to be an effective strategy. In contrast, Hall and Midgley argue that in industrial countries, social policy is not intended to promote economic development, but rather to maintain income and provide support to those in need (Hall and Midgley, 2004: 234). However, this is not the case if we look back on the history of industrialisation. Welfare developmentalism was very strong in Europe, and in particular in the 'late industrialisers of Europe' such as Germany, Sweden and Finland. The most notable example is Bismarck's social policy in the 1880s (Rimlinger, 1971), which sought to facilitate industrialisation through social insurance programmes, while undermining political support for the socialist movement in Prussia. Bismarckian social policy did not give equal importance to social protection and equity; indeed, it was only conceived as instrumental to economic and political objectives. This example of welfare developmentalism is not the only one. There has been another model of developmental social policy that can be called the Scandinavian model. An early example of this is the Swedish active labour market policy in the 1930s (Dahl, Dropping and Lødemel, 2001). In addition to providing income maintenance, this policy was also intended to provide recipients with the necessary skills that would enable them to (re)enter the labour market, to make their own living and subsequently to contribute to economic development. Finnish public pension policy is another example. In the 1950s, public pension funds in Finland were used to electrify the country, based on policy decisions arrived at through the democratic process (Kangas, 2004).

These two traditions of welfare developmentalism can be described as the selective and the inclusive strands (Kwon, 2005). While the Bismarckian selective strand has features of productivism, selective social investment and an authoritarian political context, the key principles of the inclusive strand are productivism, universal social investment and democratic governance. Despite such differences between them, it is clear that social policy is an effective instrument for development and outcomes have not been

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disappointing as far as European experiences are concerned. Developing countries in other parts of the world also tried welfare developmentalism at one time or another, mostly in the line of the selective strand (Hall and Midgley, 2004: 34), but they did not continue this policy paradigm, with the exception of some East Asian countries such as South Korea, Taiwan and Singapore. What are the underlying causes that have prevented many developing countries from pursuing developmental social policy?

Welfare regimes and the state

Gough and Wood begin *Insecurity and Welfare Regimes* by discussing the 'welfare regime' approach. According to them, it is an attempt to put the welfare systems of the developing countries on the map of comparative social policy (2004: 15). They point out that the two key assumptions of the welfare regime are often not met in poor countries: a legitimate state and a pervasive formal labour market. This is very important from the viewpoint of social policy and development. The legitimate state is the entity that should provide social infrastructure for development while the formal labour market is the engine of economic growth. The absence of these two conditions (the state and the labour market) prevents many developing countries from pursuing developmental social policy. As Hall and Midgley also point out (2004: 247), however, discussions of social policy in developing countries are often conducted without careful consideration of these two assumptions, particularly at the international level. For example, recommendations on pension schemes for developing countries would not be realistic if they did not take into consideration the capacity of the state to collect contributions regardless of whether they suggest a pay-as-you-go or funded systems. Another example is 'targeting-the-poor' policy. Targeting the poor requires reasonable bureaucratic bodies at the national and local level with fairly good statistical information.

This does not, however, mean that developmental social policy is not possible in the welfare mixes of poor countries. It only points out what challenges lie ahead for social policy in a development context. Social policy also needs to be an instrument for nation building. This transformative quality of social policy has also been well exploited in many of the now developed countries. Those countries that introduced social policy with a legitimate state and well-established labour market are exceptions rather than the norm in the evolution of social policy, in Europe or anywhere else. Social policy was often introduced with a bare structure of public administration with limited ability, and public officials learned through experience, whilst policy institutions to implement social policy developed gradually as Kangas explains in the Finnish case (Kangas, 2004). Social policy programmes have also been instrumental in the creation of the labour market as East Asian experiences clearly illustrate (Yi and Lee, 2004). In fact, the 'formality' of the labour market is determined by a range of social policy institutions as well as the tax system.

At the same time, however, it is also true that authoritarian governments often initiated social policies in order to justify their power. Social policy introduced within such a political context often favoured privileged groups and the strategic industrial sectors for economic development. Before the recent reforms, social policy in East Asia serviced the need for labour in industrial sectors, while excluding vulnerable people from social protection (Goodman, White and Kwon, 1998). In short, social policy in a development context can be democratic, developmental and socially inclusive, although it is not automatically so. This observation on national challenges leads to an important question

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in the global context: do the present-day developing countries have the autonomy to pursue such a policy nexus under contemporary globalisation?

Globalisation and the welfare state

There are important differences between the European late industrialisers of the nineteenth and early twentieth centuries and the present-day developing countries. National policy options for many contemporary developing nations have been very limited, given their colonial past and the current wave of globalisation. The extent to which the government can make social policy decisions in the globalising world has been subject to intense debate (Yeates, 2002). Graham Room, author of a chapter on international welfare systems in *Insecurity and Welfare Regimes*, is clear that the scope for governmental autonomy in relation to social policy decisions is very limited in developing countries (Room, 2004). This is not only because the administrative structure of social policy did not break from the legacy of colonialism (Room, 2004, 289), it is also because a great number of developing countries are subject to international policy conditionalities attached to the receipt of financial aid and debt relief from the World Bank, International Monetary Fund (IMF) and regional development banks. It is fair to say that these international financial institutions (IFIs) significantly undermined the sovereignty of many developing countries. Room also reinforces points made elsewhere in the literature that multinational corporations and International Non Governmental Organisations (INGOs) as well as the United Nations system have greatly influenced national social policy (Room, 2004: 298).

Given the influence of the IFIs, it is important to ask whether the policies they have imposed have been effective in achieving economic development and social protection. Hall and Midgley see them as disappointing, since policies like the structural adjustment programmes only produced dismal results. While the new policy orientation of IFIs, notably Poverty Reduction Strategy Papers (PRSP), places more emphasis on social protection, and coordination with local officials and NGOs, IFI policy recommendations do not fully integrate social protection into development policy; indeed, social protection is still regarded as an after-thought. Hall and Midgley make it clear that this approach must be changed.

While these two books address the question of how to get IFIs policy 'right', neither of them examines whose interests IFI policies serve. This has been examined elsewhere. Garba, for example, sees the IFIs as agents for the principals of the OECD countries (Garba, 2004: 25). He argues that the development advice to sub-Saharan Africa has been effective not for the African nations but in generating rent for the lending countries. This is a controversial claim but worth exploring. At least, it is necessary to examine social policy in the context of the dynamics of international development policy. Has it been fair for the developing countries? For instance, foreign investment has been regarded as an essential necessity for the economic development of developing countries. Therefore, it can be argued, developing countries should accept some conditionality attached to it. However, foreign investment is also an unavoidable requisite for most industrialised countries whose ageing labour force can no longer provide cheap and productive labour. So, capital must look abroad for its labour needs. If foreign investment is necessary both for developing and lending countries, why is the conditionality applied only to one party and not to both? In other words, it is necessary to find a global arrangement that will make the practice of foreign investment and international aid fairer to both industrialised and

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developing countries. In particular, such an arrangement should allow the governments of developing countries to pursue developmental social policy to overcome those policy constraints mentioned above.

In *Limits to Globalization* (2003), Rieger and Leibfried present a fascinating account of the relationship between social policy and economic globalisation. Globalisation, they argue, can only proceed as far as the welfare state allows. In a democratic context, national negotiators can open their markets only to the extent to which their welfare state can protect those who would lose out from trade liberalisation. This proposition assumes the existence of a market economy, representative democracy and the welfare state (Rieger and Leibfried, 2003: 251). These conditions are not met in many developing countries, as Gough and Wood point out. This raises the question of whether social policy can help those developing countries take on the challenges of globalisation. East Asian countries such as South Korea, Taiwan, Singapore and Hong Kong can be regarded as a good test case for this hypothesis, not only because these countries have utilised their social policy for competing in global markets, but also because South Korea and Taiwan have undergone democratisation, while Singapore and Hong Kong have essentially maintained their political regime over the last two decades. Rieger and Leibfried devote a long chapter to East Asia. Unfortunately, they do not try out their proposition but rather resort to a cultural explanation of the welfare state development of the region. This is a pity; the presentation of a cultural explanation undermines the consistency of the book.

East Asian countries are the exception in that they were able to pursue developmental social policy, while most developing countries have had to discontinue that policy paradigm. For instance in the cases of sub-Saharan Africa, many countries attempted developmental social policy shortly after independence, but were not able to continue with this approach for various reasons, notably following the structural adjustment programmes. In the context of globalisation, it is true that the welfare states in East Asia have been influenced by their export-oriented development strategy and financial liberalisation, but East Asian experience shows a more complex dynamic than that which a simple globalisation and welfare hypothesis may suggest. For example South Korea and Taiwan reformed their welfare state, making it more inclusive in order to deal with the economic crisis of 1997–1998. In contrast, Hong Kong and Singapore only carried out minimum social reforms maintaining the nature of the selective developmental social policy (Kwon, 2005). Why have they responded differently to the challenges of globalisation? All this could be well explained using the analytical framework proposed by Rieger and Leibfried, and in light of this it is hard to understand why these authors chose to explain welfare state development in East Asia from a cultural perspective.

Concluding remarks

National and international policy makers and stakeholders now recognise social policy as an integral part of development. Recent United Nations world conferences, such as the World Summit for Social Development (1995) and Millennium Summit (2000) have reintroduced concerns for social justice and equity into development debates. It is an encouraging sign for development but important questions remain: Can social policy be developmental while maintaining its intrinsic goal of social protection and social justice? Can social policy be an effective instrument for nation-building? Is social policy a useful catalyst for a fairer globalisation?

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Ultimately, the value of *Social Policy for Development* and *Insecurity and Welfare Regimes* is to point out that developmental social policy is an imperative for inclusive development. Social policy can also be an effective instrument to overcome national constraints for development, such as the lack of legitimate state and formal labour market. They also recognise that policy options for many developing countries are very limited because of colonial experiences and the current wave of globalisation. The main limitation of these books, however, is their neglect of how to ensure that developing countries have sufficient autonomy to decide the paradigm of social policy on their own terms. *Limits to Globalisation* clearly proposes innovative thinking in relation to globalisation and social policy, but as this essay has pointed out, the discussion would have been excellent had the authors applied their hypothesis to East Asia where national and global constraints on developmental social policy have been effectively overcome in the process of economic development and democratisation.

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Note

1 United Nations Research Institute for Social Development (UNRISD) has also launched a series of books on 'Social Policy in a Development Context'. The first book in the series is *Social Policy in a Development Context* by Mkandawire and the second is *Transforming the Developmental Welfare State in East Asia* by this author.

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