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## **Socioeconomic Change and Social Policy Development: Past and Present**

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This paper discusses the current trends in social policy in developing countries against a historical overview of public welfare provision in developed capitalist countries. This historical overview leads to certain observations which are of significance for the assessment of the choices made among alternative ways of defining policy objectives, strategies and instruments in the realm of social policy. On the basis of these observations, the paper approaches social policy development as an outcome of the emergence and the expansion of the market economy. It then shows that social policy intervention might be transformative in its impact on labour market relations, but it could also support and sustain market expansion. In a parallel vein, it is argued that systems of social protection might be shaped by the ideal of equal citizenship, but they might also be compatible with forms of inequality engendered by market processes or the character of social relations.

During the last few decades, in both developed and developing countries employment relations, family structures and gender roles have changed and these changes have been situated in an ideological context characterized by an intense questioning of the role government could and should play in the economy and society. In this environment marked by the dynamics of neoliberal globalization, the existing formal or informal models of welfare provision have come under pressure and countries with different socio-political structures which had evolved against different historical backgrounds have found themselves in a position to redefine the terms of social solidarity.

The second section of the paper discusses how this challenge has been addressed in developing countries and evaluates possible trajectories of social policy development in these countries with reference to their likely outcomes in relation to the following questions: Which principles will determine the forms of social integration? What will be the relative significance of the role played by market exchange, state redistribution and different forms of reciprocity relations in determining the coordinates of an individual's position in society? Will social protection be based on labour market participation or on social rights defined beyond status at work? How and to what extent will the traditional gender roles be modified through the policy making processes? To what extent will the new directions in social policy contribute to de-commodification of labour and the advent of equal citizenship?

## **A historical overview of social policy in Europe**

Public spending cuts and welfare state retrenchment associated with the dynamics of neoliberal globalisation often appear as dominant themes in the debates around the recent transformation of the systems of welfare provision throughout the world. However, the transformation in question has also involved the increasing significance of social policy intervention as an important dimension of state-society relations in developing countries.

The new interest in social policy in countries without mature welfare states has followed the insertion of these countries in the global market economy and, as such, it seems to be in conformity with the historical relationship with the dynamics of capitalist development and the emergence of public welfare provision. As Briggs (1961) observes, the problem of welfare emerges in very different ways in societies with and without market economies. In fact, already in the 16th century Europe, the commercialization of agriculture and the commodification of labour- or the emergence of what Marx calls “free labour”<sup>1</sup>- led to new forms of poverty which could no longer be managed and kept under control with traditional mechanisms of family support or religious charity. New mechanisms of social assistance in part financed and administered by secular authorities thus made their appearance in the context of the early European capitalism. The provision of assistance to the poor was introduced in several European cities and the Elizabethan poor laws were put in implementation in England (Geremek 1994; Fox-Piven and Cloward 1993). Social policy debate could be said to have originated in the same period. For example, *De Subventionem Pauperum (On Assistance to the Poor)*, a pamphlet on social assistance presented by the 16<sup>th</sup> century humanist Juan Luis Vives (1999) to the mayor of the city of Bruges, could be considered one of the earliest texts in social policy.

These historical developments suggest that social policy was born in the form of social assistance through the attempts to deal with the problem of poverty associated with early capitalist development. However, the path leading to the 20<sup>th</sup> century welfare state could be more easily situated within the 19<sup>th</sup> century market economy which Karl Polanyi (1944) described as an unusual phenomenon incompatible with human society. According to Polanyi, the exceptional character of the market economy has to do with its being led and dominated by market exchange. Although markets exist in all types of

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<sup>1</sup> Marx (1973: 507) uses the term “free labour” both in the sense of being “free from the old relations of clientship, bondage and servitude”, and in the sense of being “free of all property” and entirely dependent on the sale of labour capacity as the only source of income.

societies in different historical periods, they only play an auxiliary role in economic life which is largely shaped by other principles of socioeconomic integration such as “reciprocity” and “redistribution”. Personal and informal relations of reciprocity or state redistributive processes control and regulate economic activity in conformity with social objectives. The 19<sup>th</sup> century market economy, where the principle of market exchange, with its exclusively economic character, came to dominate the processes production, distribution and consumption, presents a unique historical phenomenon where the economy is *disembedded* from society. The defining feature of the *disembeddedness* of the economy from society is the commodification of labour, land, and money. “None of (these elements of industry) is produced for sale”, writes Polanyi. “The commodity description of labour, land, and money is entirely fictitious. Nevertheless, it is with the help of this fiction that the actual markets for labour, land and money are organized.” (Polanyi 1944: 72).

After describing the devastating consequences of treating labour, land and money as commodities, Polanyi introduces the concept of “double movement” to explore the historical dynamics of the nineteenth century as consisting in the parallel attempts to eliminate the barriers to the functioning of the market economy and to resist, at the same time, its consequences for human beings and their social and natural environment.

Some of the social policy interventions in the 19<sup>th</sup> century England- the most typical market society of the era-, such as the New Poor Law of 1834 which abolished assistance to the poor outside the workhouse, were designed to support and sustain the commodification of labour by strengthening the link between work and economic subsistence. However, the enactment of factory laws and the expansion of philanthropic activity in the second half of the century were among the manifestations of the society’s reaction toward the devastating consequences of the market economy and the demands for the *re-embedding* of the economy in society.

The role of philanthropic activity in the trajectory of welfare state development is not unambiguous. In some ways, voluntary assistance sustained the marketization of life and livelihood by keeping under control the worst forms of indigence that emerged as a result of the commodification of labour. It could also be instrumental, however, in drawing public attention to those forms of poverty which were beyond the responsibility of the individual and thus calling for a reappraisal of the society’s values and institutions. Himmelfarb (1991), for example, underlines that an at least implicit demand for systemic reform was present in the activities of the late Victorian philanthropists. While this could be seen as a complement to other ideas which form the

background to the emergence of the 20<sup>th</sup> century welfare state, there was one fundamental difference between the moral universe of the philanthropist critique of the market economy and that of the welfare state. This difference had to do with attitudes toward equality. This is very clearly expressed in T. H. Marshall's seminal essay on "Citizenship and Social Class" where we find a discussion on the shift of emphasis from poverty to equality of citizenship status to be developed on the basis of civil, political and social rights.

Marshall writes that in the past public assistance to the poor was not necessarily rights based and private charity, which assumed the major part of the responsibility in dealing with the problem of indigence, often operated with the understanding that those who received help had no personal right to claim it: "(T)he benefits received by the unfortunate did not flow from the enrichment of a status of citizenship" (Marshall 1964: 95)

"Enrichment of the status of citizenship" is, for Marshall, necessarily a step toward equality of all those who are full members of a community with respect to the rights and duties they all have. Social class, on the other hand, is a "system of inequality". Hence, the inherent tension between citizenship and social class, which Marshall highlights to define the objective of social policy in terms of "class abatement" rather than as "merely an attempt to abate the obvious nuisance of destitution in the lowest ranks of society" (Marshall 1965: 106).

To what extent was the development post-Second World War welfare state in conformity with this expected shift of emphasis from poverty alleviation to equal citizenship? In the post war era, social assistance to the poor in fact became a marginal component of the expanding package of social benefits in developed countries. Nevertheless, the contribution of social policy to the ultimate objective of equal citizenship remained limited especially for three reasons. First, the policy focus remained on the objective of full employment and the systems of social protection were closely linked to labour market relations in such a way that social rights designated more the rights of workers than those of citizens.<sup>2</sup> Second, post-war welfare state was a "gendered institution" since the bearers of social rights did not only appear as workers but as male breadwinners of nuclear families based on the traditional gender division of labour. As the feminist critiques of the welfare state forcefully argued, women's citizenship remained contingent upon those of their husbands or fathers (Pateman 1986 and 2004; Orloff 1996). Third, the welfare state was not necessarily designed to

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<sup>2</sup> On this see, in particular, Guy Standing (2007)

promote equality; in fact, as Esping-Andersen (1990) observed, it could well be seen as a system of stratification.

Esping-Andersen argued that the welfare states differed in their impact on labour markets and the family. Liberal welfare regimes could actually consolidate the commodity status of labour while conservative welfare regimes would draw on and serve to strengthen traditional family structures with male breadwinners and female care providers. Equal citizenship ideal as formulated by Marshall could only be seen as an objective and the potential outcome of social democrat regimes and the welfare state could play an economically and culturally transformative role only in certain societal contexts.

It should nevertheless be acknowledged that in the international system which emerged in the aftermath of the Second World War, welfare state policies played an important role in limiting the expansion of the market and the commodification of labour in developed capitalist countries. In other countries, too, markets were contained and controlled by mechanisms such as central planning or national developmentalist policies accompanied by different forms of reciprocity relations. Yet, in the post 1980 period, self-regulating market once again appeared as the centre piece of a globalized economy where the contemporary debates on social policy take place.

Today, with the expansion of the market economy and the economic and social changes that manifest themselves at a global level, all societies find themselves in a position to redesign the institutions of welfare provision. Certain economic and social transformations which mark the current international context are of particular significance for the attempts in this direction. The changes in the realm of employment, the globally observed trend toward the “precariatization” of work (Standing 2011) in particular, have brought about probably the most important constraint in which social policy processes have to operate today. In developed countries, the increasing significance of part-time and temporary work and employment by subcontractors, franchisers or agencies constitute the key characteristics of a situation where the security of employment and income is undermined and it has become difficult for the existing social protection systems to operate in an effective fashion (ILO 2011). While similar dynamics of precariatization of wage labour are also observed in developing countries, in these countries vulnerable employment- defined to cover self-employment and unpaid family labour- also continues to be important. Vulnerable employment is estimated to be close to 80 percent of total employment in some African and South Asian countries at the end of the 2000s. Even in more advanced countries such as Korea

and Mexico, it is 25 and 29 percent of total employment, respectively.<sup>3</sup> At the same time, de-ruralisation, which has gained impetus since the 1980s, has often been accompanied by the rise of urban informal employment.

What some writers have called “the gender revolution” constitutes another globally observed development which shapes the current environment of social policy (Goldin 2006; Esping-Andersen 2009). The rise in female education and employment has been accompanied by the transformation of family structures and fertility rates throughout the world. It is not possible to say that institutional response to this transformation have been sufficiently effective even in developed capitalist countries. It is clear, however, that the introduction of new institutions of social protection or the restructuring of the existing ones must necessarily proceed by taking into account the gender dimension of social problems in both developed and developing countries.

### **Social policy in developing countries**

Institutional transformation in the realm of social policy is situated in the context of socio-political structures which had evolved against different historical backgrounds in developed and developing countries. A difference of particular significance is that in developing countries the problem of poverty as a social problem was, until recently, not addressed the way it had been addressed through the historical experience of capitalist development in Europe and formal social assistance measures introduced to deal with poverty were largely absent. Agricultural development programmes, investments in rural and urban infrastructure, public health and education policies played a certain role in poverty alleviation without targeting the individual in a social risk situation, but they could hardly be considered as substitutes for social policy. In developing countries where agricultural employment and labour market informality were important and the

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