Targeting and Universalism in Poverty Reduction

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Acronyms

DAC	Development Assistance Committee
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	gross domestic product
IFIs	international financial institutions
IMF	International Monetary Fund
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PASIS	Pensiones Asistenciales de Ancianidad y de Invalidez
PRSPs	Poverty Reduction Strategy Papers
SHIR	Subsidized Health Insurance Regime
SIPO	Sistema de Información de Población Objetivo
SUF	Subdidio Único Federal
TANF	Temporary Assistance for Needy Families

Acknowledgements

Summary/Résumé/Resumen

Summary

For much of its history, social policy has involved choices about whether the core principle behind social provisioning will be "universalism", or selectivity through "targeting". Under universalism, the entire population is the beneficiary of social benefits as a basic right, while under targeting, eligibility to social benefits involves some kind of means-testing to determine the "truly deserving". Policy regimes are hardly ever purely universal or purely based on targeting, however; they tend to lie somewhere between the two extremes on a continuum, and are often hybrid, but where they lie on this continuum can be decisive in spelling out individuals' life chances and in characterizing the social order.

This paper is divided into two parts. In the first part, Thandika Mkandawire discusses the forces behind the shift from universalism toward selectivity in using social policies to combat poverty in the developing countries. In the second part, a review of the lessons from such policies, he considers the administrative difficulties of targeting in the poor countries, the political economy bases of policy choices, and the consequences of policy choices for individual incentive. Mkandawire pays special attention to cost-effectiveness, because advocates of selectivity in the fight against poverty raise it as the main argument in its favour.

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Résumé

Pendant une grande partie de son histoire, la politique sociale a dû choisir quel serait le principe qui régirait essentiellement la protection sociale et se déterminer soit pour "l'universalisme", soit pour la sélectivité par le "ciblage". Lorsqu'elle opte pour l'universalisme, la population entière a un droit fondamental aux avantages sociaux et en bénéficie, alors que le ciblage consiste à limiter le nombre des bénéficiaires à ceux qui le "méritent vraiment" en fixant des conditions de ressources. Cependant, il n'est guère de politiques qui soient purement universelles ou purement fondées sur le ciblage; elles se situent généralement quelque part entre les deux extrémités de ce continuum et sont souvent hybrides, mais leur emplacement sur ce continuum peut être déterminant pour les chances des individus dans l'existence et marquer profondément l'ordre social.

Ce document se compose de deux parties. Dans la première partie, Thandika Mkandawire traite des forces qui incitent les pays en développement à appliquer des politiques sociales sélectives plutôt qu'universelles pour lutter contre la pauvreté sur leur territoire. Dans la deuxième partie, dans laquelle il passe en revue les enseignements de ces politiques, il considère les difficultés administratives liées au ciblage dans les pays pauvres, l'économie politique sur laquelle reposent ces choix politiques, et les conséquences de ces choix sur les incitations auxquelles répondent les individus. Thandika Mkandawire accorde une attention toute particulière au rapport coût-efficacité parce que c'est le principal argument avancé en faveur de la sélectivité par ceux qui la préconisent dans la lutte contre la pauvreté.

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Resumen

Durante buena parte de su historia, la política social se ha movido entre las opciones de si el principio central que sustenta el suministro de servicios sociales es el "universalismo" o la selectividad por medio de la "orientación hacia un grupo específico". Bajo el universalismo,

toda la población disfruta de los beneficios sociales como un derecho básico, mientras que bajo el enfoque selectivo, la elegibilidad para los beneficios sociales está sujeta a alguna forma de comprobación previa de medios de vida para determinar a los "verdaderos merecedores". Los regímenes de políticas no son casi nunca enteramente universales ni netamente selectivos; tienden más bien a ubicarse en algún lugar entre los dos extremos de un "continuo", y con frecuencia son híbridos; sin embargo, su ubicación en este continuo puede resultar decisiva para determinar las posibilidades de subsistencia de cada persona y para caracterizar el orden social.

Este documento se divide en dos partes. En la primera, Thandika Mkandawire analiza las fuerzas que impulsan el cambio del universalismo hacia la selectividad en el uso de las políticas sociales para combatir la pobreza en los países en desarrollo. En la segunda parte, al examinar las lecciones que han dejado estas políticas, el autor analiza las dificultades administrativas de la selectividad en los países pobres, las bases de la economía política en que se apoyan las decisiones de política y las consecuencias de esas decisiones para el incentivo individual. Mkandawire presta particular atención a la eficacia en función de los costos, dado que los defensores de la selectividad en el combate contra la pobreza enarbolan este factor como el principal argumento a su favor.

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Introduction

For much of its history, social policy has involved choices about whether the core principle behind social provisioning will be "universalism" or selectivity through "targeting". Under universalism, the entire population is the beneficiary of social benefits as a basic right, while under targeting, eligibility to social benefits involves some kind of means-testing to determine the "truly deserving". Policy regimes are hardly ever purely universal or purely based on targeting, however; they tend to lie somewhere between the two extremes on a continuum, and are often hybrid, but where they lie on this continuum can be decisive in spelling out individuals' life chances and in characterizing the social order. Indeed, how far a policy regime leans toward either of these options was a core feature of Esping-Anderson's seminal typology of welfare regimes.

This paper is divided into two parts. In the first part, I discuss the forces behind the shift from universalism toward selectivity in using social policies to combat poverty in the developing countries. In the second part, a review of the lessons from such policies, I consider the administrative difficulties of targeting in the poor countries, the political economy bases of policy choices, and the consequences of policy choices for individual incentive. I pay special attention to cost-effectiveness, because advocates of selectivity in the fight against poverty raise it as the main argument in its favour.

Shift to Targeting

While in the 1960s and 1970s, the leaning was toward universalistic policies, since the 1980s, the balance has radically tilted in favour of targeting in both developed[1] and developing countries. In the developed countries, this led to the shift from welfare to workfare states. In the words of Gilbert, "over the last decade [1990s] many social welfare policies have been redesigned to narrow the scope of recipients by targeting benefits through means tests, income tests, claw-back taxes, diagnostic criteria, behavioural requirements, and status characteristics" (Gilbert 2001: xviii). Even in the more resilient cases of the Nordic welfare states, observers spoke of the "flight from universalism" (Sunesson et al. 1998). In developing countries, the choice has been conditioned by the context of macroeconomic and aid policies, the centrality given to poverty in official discourse, and the unravelling of "social pacts" behind various forms of universalism and the consequent ideological shifts in both developed and developing countries.

Ideological shifts

Ideologies play an important role in the choice of instruments used to address problems of poverty, inequality and insecurity. Each of the core concerns of social policy—*need*, *deserts* and *citizenship*—are social constructs that derive full meaning from the cultural and ideological definition of "deserving poor", "entitlement" and "citizens' rights". Although in current parlance, the choice between targeting and universalism is couched in the language of efficient allocation of resources subject to budget constraints and the exigencies of globalization, what is actually at stake is the fundamental question about a polity's values and its responsibilities to all its members. The technical nature of the argument cannot conceal the fact that, ultimately, value judgments matter not only with respect to determining the needy and how they are perceived, but also in attaching weights to the types of costs and benefits of approaches chosen. Such a weighting is often reflective of one's ideological predisposition. In addition, societies chose either targeting or universalism in conjunction with other policies that are ideologically compatible with the choice, and that are deemed constitutive of the desired social and economic policy regime.

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[1] On the shift away from universalism in the developed countries, see Gilbert (2001) and van Oorschot (2002).

In the 1980s and 1990s the rise of the Right, which privileged individual responsibility and a limited role for the state, had a profound influence in some of the key industrial countries. Margaret Thatcher's insistence that "there is no such thing as community" touched on one of the most important ideological underpinnings of social policy—solidarity and citizenship. It is this neoliberal ideological position that has set the limits on social policy and underpins the preferences for "user fees", means-testing, market delivery of social services or "partnerships" in their delivery. This ideology has also eliminated the equity concerns that have been central to all the successful experiences of poverty eradication. And with ideologies of equality in retreat, policies pushing for universalistic policies, together with their accompanying redistributive measures, were bound to experience setbacks.

These ideological shifts in the North led to similar shifts in the South, where the attacks on the welfare state were extended to include the developmentalist ideologies with which it had strong conceptual and ideological affinities. In the name of developmentalism, socialist ideologies and nation-building, many Third World governments had tended to lean toward universal provision of a number of services, including free health, free education and subsidized food. For the aid-dependent or client state, ideological shifts reflected changes in the donor countries and international financial institutions (IFIs). Yet the ideological assault on universalism was not only externally driven but had internal drivers as well. Like the developed countries, many developing countries were themselves also undergoing their own ideological convulsions that tilted the balance toward targeting. The case of Chile under Augusto Pinochet is the most emblematic of this internal shift. In many other countries, the nationalist and populist pacts that had underpinned universalist policies were in disarray. Nationalist and populist ideologies had been undermined by both the mismanagement of national affairs by nationalists, some of whom had morphed into petty dictators and kleptocrats. Notions of solidarity and nation-building rang hollow in the face of increasing inequality and blatant self-aggrandizement. Technocracies that had arisen around these movements had been captured by both internal and external forces more inclined to liberal ideologies and their aversion for state provision. Current programmes on poverty reduction, such as the poverty reduction strategies and the associated Poverty Reduction Strategy Papers (PRSPs), are tethered to the neoliberal ideology which is premised on self-interest and a fundamental faith in the market.

The fiscal constraint and the quest for efficiency

One other driving force behind selectivity was the fiscal constraint of the late 1970s that led to the perception that there was a need for budgetary restraint and, perhaps more importantly, to the overriding of all other considerations in the choice among possible social policies. "Fiscal crisis" also provided an excellent opportunity for the ideologically driven shift toward targeting because it authorized the view that targeting was the most efficient and commonsensical thing to do under the circumstances. Politically, it is much more convenient to deploy the language of cost containment and efficiency that comes along with budgetary constraints than to embark on