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world summit for social development

social safety nets and adjustment in developing countries

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Preface

The World Summit for Social Development, to be held in Copenhagen in March 1995, represents an important opportunity for the world community to focus attention on current social problems and to analyse the dimensions, roots and directions of social trends. The purpose of the Summit is twofold: first, to elaborate effective strategies with which to confront social problems and promote social development, and, second, to mobilize public support for these strategies through informed debate and discussion. In the process, the goals of social development will be reassessed, and long-held assumptions about social development will be re-examined.

There are three major items on the agenda on the Social Summit: the reduction of poverty, the generation of productive employment, and the enhancement of social integration. UNRISD's work in preparation for the Summit focuses on the last of these: as countries confront the seemingly intractable problems of social conflicts, institutional breakdown and mass alienation, the topic of **social integration** has assumed increasing importance in public debate.

The series of UNRISD Occasional Papers brought out as part of the Social Summit preparatory process reflects research carried out on a range of issues that affect social integration. This paper examines the adjustment-related "social safety net" programmes currently being implemented in a number of developing countries, synthesizing the findings of case studies on such programmes from 13 countries. The author, a researcher at UNRISD, summarizes the evidence regarding the characteristics and performance of adjustment-related safety net programmes. She takes up three main questions: (a) How well do adjustment-related safety net programmes address either the social costs of adjustment, or social problems in the context of adjustment? (b) Do such programmes work to improve the social and political acceptability of adjustment measures? (c) Can such programmes be seen as models for new, more efficient and effective means of social service provisioning?

The paper argues that, although safety net programmes have had some notable successes, they are not the answer to the social impacts of adjustment, and should not serve to deflect efforts to refine adjustment programmes so that their social costs are better contained. Furthermore, because safety nets are increasingly portrayed as not merely short-term palliative measures, but as representing a potential alternative model for social service provisioning, the long-term impacts of this essentially residualist approach to social development should be more explicitly and thoroughly examined.

July 1994

Dharam Ghai
Director

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introduction

It has long been acknowledged that structural adjustment measures entail significant social costs, at least in the short term, and that these costs are likely to have their severest impact on the poorest sectors of society. Even those who believe that adjustment measures will ultimately be in the best interests of the poor acknowledge the "frictional" difficulties of the transition period, and it is generally accepted that the poorest groups suffer disproportionately because of their vulnerability and lack of economic flexibility.

Concern with the social costs of adjustment increased in the late 1980s, with the publication of empirical studies documenting the impact of adjustment measures (most notably Cornia et al., 1987), as well as with increased popular opposition to such key adjustment-related policies as devaluation and reductions in consumer subsidies. The response among international agencies has been, on the one hand, at least some willingness to acknowledge the possible advantages of more gradual adjustment programmes, as well as a professed interest in amending the standard adjustment package to match countries' particular social conditions. On the other hand, in many countries a range of compensatory measures has been introduced, meant to mitigate the social costs of adjustment. These social adjustment packages — or, as they are commonly called, "social safety nets"[1] — usually involve both targeted social services and benefits, and various types of project-based "social funds".

This paper reports on the preliminary findings of ongoing UNRISD research on social policies in the context of economic restructuring in developing countries.[2] It opens with a discussion of the rationale behind targeting and compensatory programmes, and then describes findings regarding the characteristics of existing social funds. These programmes are then assessed in terms of the three main objectives with which they have been attributed: alleviating poverty and unemployment, improving the political viability of adjustment programmes, and creating new social infrastructure and institutions able to improve the efficiency and effectiveness of social service delivery. This last goal implies a role for social safety nets that goes beyond short-term palliative measures, approaching what might be termed social restructuring. Finally, several caveats are drawn from the research findings regarding the limitations of purely compensatory or project-based approaches to social service provisioning in the context of adjustment.

rationale of selective social policy and compensatory programmes

The social costs of structural adjustment have always been recognized in the adjustment model: because adjustment measures are meant to change the structure of the economy, they will necessarily have distributional effects, and thus by definition will create winners and losers. The problem is compounded by the phenomenon of "exit before entry", as enterprises hurt by adjustment exit the economy before enterprises benefiting from adjustment enter it (Johnson, 1994). Thus the losses from adjustment normally precede the gains. But who will comprise the winning and losing groups from adjustment in any particular country is not immediately clear without local social and economic analysis. The adjustment model is strictly agnostic about how real wages will change, as well as welfare effects on households more generally — "it is simply an empirical matter" (World Bank, 1990:2). Factors determining the impact of adjustment at the household level include, among other things, what is produced and consumed, whether labour is bought or sold, and characteristics of existing markets and access to them.

Although the early adjustment models were able to predict social impacts, they did not foresee how socially and politically disruptive the "human face" dimensions of adjustment were to be. The decline in real per capita household income in adjusting countries, especially in Africa and Latin America, as well as the greatly increased incidence of poverty, was both striking and well-documented by the late 1980s. Although the argument was made that in the absence of robust counterfactuals such changes could not be attributed to adjustment measures — they could also be linked to the economic crisis that necessitated adjustment, and might have been worse without adjustment — by the late 1980s the lending institutions had acknowledged the fact that early adjustment packages had paid insufficient attention to the social dimensions of adjustment (e.g. World Bank, 1987). Thus in 1987 the World Bank's Operational Guidelines were amended to