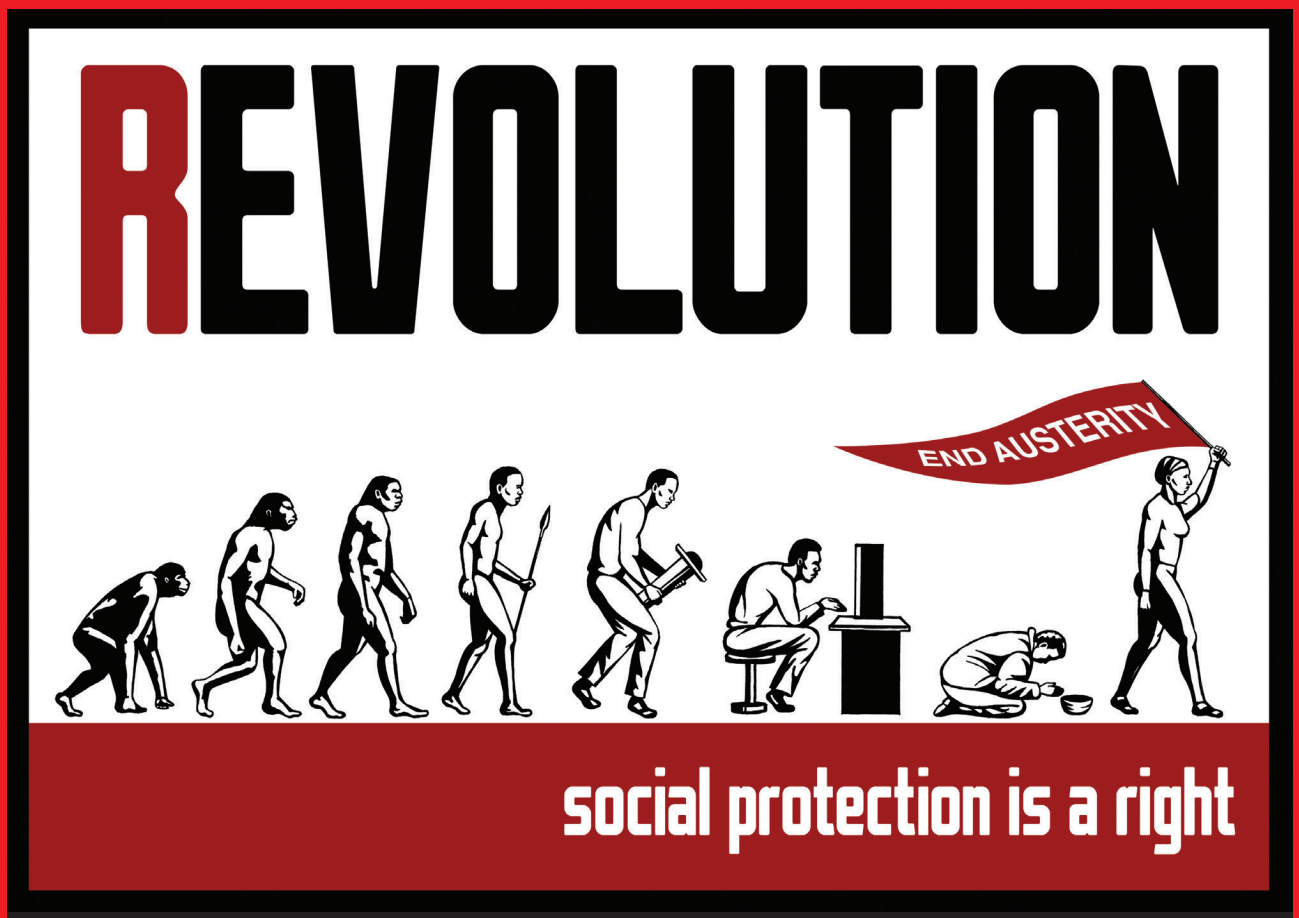

4. There are alternatives! Lessons from welfare and developmental states

"A fierce new world has been born - full of shaken premises, complicated contradictions, serious fractures, severe backlash, broken promises and uncertain outcomes for the world's peoples."[1]

Lesson one: It is possible to achieve high rates of social progress in relatively short periods of time

From 1950-1980, the world experienced an unprecedented period of social progress over a relatively short period of time.

- In 1990, the United Nations Development Programme (UNDP) published its first Human Development Report (HDR), which reviewed human development over the previous three decades from 1960 to 1990. The 1990 HDR noted that while levels of deprivation within and between countries were still unacceptably high, the progress made between 1960 and 1985 was unprecedented in many poor countries. However, progress made in the 60s and 70s stalled during the 1980s.

- Similarly, in a series of Scorecards on Development[2] (2001, 2005 and 2017), the Centre for Economic Policy Research (CEPR), identified sharply lower rates of economic growth and reduced progress on social indicators in the majority of low- and middle-income countries in the period of 1980 - 2000 compared to 1960 -1980. The 2005 Scorecard finds growth rates in GDP, health outcomes and progress in education were markedly better in 1960-1980 compared to those in 1980-2000, with China and India being the notable exceptions.[3] The report argues that China and India's exceptional growth rates are due to the gradual ways in which both countries liberalised, opening up sectors to global trade only when they were ready to compete.

- Looking even further back into time, the Historical Index on Human Development (mid 19th C to 1970) observes that "although the gap between the OECD [Organisation for Economic Co-operation and Development] and the Rest [of the world] widened in absolute terms, an incomplete catching up took place across the board between 1913 and 1970."

- The 2018 OECD report A broken social elevator: income inequality and social mobility[4] examined intergenerational and individual social mobility in OECD and emerging economies. The report notes that in OECD countries upward mobility for people with less educated parents tended to increase for people born between 1955 and 1975, then stagnated for those born after 1975. Since the 1990s the trend in social mobility has been negative in that it has become less likely for people at the bottom to move up (sticky floors) and more likely for people at the top to remain there (sticky ceilings).

1. Sen G. & Durano M. (Eds) 2014 The Remaking of Social Contracts: Feminists in a Fierce New World. DAWN, Zed Books London 2014. cf Summarised Version: https://www.dawnnet.org/sites/default/files/articles/20151105social_contracts_abridged_eng.pdf
2. CEPR Scorecard Series http://cepr.net/publications/ceprs-scorecard-series/
3. Weisbrot M., Baker D. & Rosnik D. 2005 Scorecard on Development 25 Years of Diminished Progress http://cepr.net/documents/publications/development_2005_09.pdf Center for Economic and Policy Research
4. OECD 2018. A Broken Social Elevator? How to Promote Social Mobility https://read.oecd-ilibrary.org/social-issues-migration-health/broken-elevator-how-to-promote-social-mobility_9789264301085-en

Lesson Two: State intervention is needed to reduce poverty and inequality, create employment and upscale innovation to address development challenges

Whereas welfare states tend to refer to countries in the North with large social security systems (i.e. 20% of budget expenditure) the term developmental state was first applied to the four "East Asian Tigers" (Korea, Japan, Singapore, Taiwan) who achieved both rapid social and economic progress during the 1960s and 70s, but was an almost universal model in the Global South (though often only partially successful). The term now refers to a development model in which the State drives development as the lead actor in economic and social development through a large network of public institutions, agencies and a capable civil service. Some countries are also referred to as welfare developmental states.

Drawing lessons from seventy years of development policy analysis, the UN World Economic and Social Survey 2017 emphasises that "development planning, state capacity, coordination across various policy areas and actors are crucial to achieving development."[5] Numerous UN agencies and civil society organisations have equally emphasised the need to bring back long term and proactive state involvement and ramped up public investment in order to address the youth crisis, entrenched extreme and working poverty, as well as to build resilience against climate change.

While welfare states are characterised by their social systems, post-independence developmental states also had very strong social policies given the dismal colonial legacy of human under-development. Indeed economic policies would also have strong social development objectives in order to 'catch up' with the West. Social protection is viewed as a minimum which should be strengthened by policies in other areas.

What were some of the achievements of public enterprises?[6]

- Set up industries in strategic and core sectors.
- Provided basic infrastructure facilities at affordable costs.
- Promoted balanced regional development by setting up industries in marginalised areas.
- Restricted the growth of private monopolies and protected consumers against private monopolies.
- Generated large scale employment opportunities and contributed to the reduction in unemployment.
- Served as a model employer, providing good remuneration, job security and welfare facilities to employees.
- Exported goods and services thereby earning valuable foreign exchange.
- Set up industries with a focus on import substitution to conserve foreign exchange resources and achieve self-sufficiency.
- Took over sick industrial units, restructured them and converted them into viable units.
- Achieved profitable growth and contributed to the national exchequer.
- Set up a network of financial institutions which have financed the growing needs of the industry.
- Promoted the growth of village, cottage, traditional and small-scale enterprises by providing advice, consultancy, finance and marketing facilities.

5. World Economic and Social Survey 2017
6. Extract from Accountlearning.com (undated) Online Learning Website https://accountlearning.com/achievements-of-public-enterprises/

In its 2018 report on the World Social Situation[7], the UN emphasises that "even in countries where comprehensive rights-based social protection systems reduce social divides, they alone cannot tackle all the symptoms and drivers of exclusion. […] Measures to promote access to land, credit and other productive resources, to ensure equal access to housing and to foster fair inheritance rights are also critical for social inclusion."

Below we review a selection of policies typical of welfare and developmental states which show how social protection can support youth development.

Agrarian reform, food security and land redistribution remain a cornerstone of social and economic development

The Food and Agriculture Organisation (FAO) has noted that agriculture is not reaching its full potential to create decent jobs for young people, particularly young rural women and men who make up one fifth of the population in developing and emerging economies. The drudgery and poor remuneration associated with low-productivity family farming dissuade young people from agriculture and make them more likely to migrate to urban areas.[8]

Engaging proactive, inclusive industrial policies for sustainability, economic diversification and job creation

Import substitution and industrial policy resulted in the creation of some groundbreaking state owned corporations. In contrast the neoliberal model of industrialisation relies on foreign direct investment mainly using profit maximising/cost externalising transnational corporations. There is renewed interest in industrial policies, especially as new technologies offer new opportunities for industrialisation. However, states need to develop strategies for inclusive industrial development which benefit rather than exploit or exclude young people. This is defined as 'industrialisation that enables inclusive growth and that leads to improvements in the level and distribution of non-monetary dimensions of development'[9].

Increased public investment in secondary and tertiary education

According to UNESCO, 37% young people of upper secondary school age are not in school[10]. When it comes to higher education, the number of students enrolling worldwide has more than doubled from 100 million in 2000 to 207 million in 2014. Twenty-first century development challenges such as climate change and the Sustainable Development Goals point to the need for skills in a large number of new areas: government's' role is to coordinate and direct skills investments towards those needs.[11] Higher education is a public good yet tertiary education is free in only 40 countries according to UNESCO[12] with a continued trend in the commoditisation of higher education. Vocational education has also been neglected and renewed public investment is badly needed in this area. In all forms of tertiary education, the rising demand, reduced public investment and privatisation have resulted in student indebtedness surpassing hundreds of billions of dollars.[13]

7. UNDESA 2018. Report on the World Social Situation 2018: Promoting Inclusion through Social Protection https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/07/1-1.pdf
8. FAO Youth Present and Future of Agriculture http://www.fao.org/3/a-c0390e.pdf
9. UNIDO 2015. Industrialisation, Innovation, Inclusion:Working Paper 15/25 https://www.unido.org/api/opentext/documents/download/9928042/unido-file-9928042
10. UNESCO 2016. Global Education Monitoring Report. Education for People and the Planet: Creating Sustainable Futures for All
11. See IAU's Global Survey of Higher Education and Research for Sustainable Development 2016: Higher Education Paving the Way to Sustainable Development- A Global Perspective http://iau-hesd.net/sites/default/files/documents/higher-education-paving-the-way-to-sd-iau-2017.pdf
12. UNESCO IIEP 2017. Six Ways to Ensure Higher Education Leaves No-one Behind https://unesdoc.unesco.org/ark:/48223/pf0000247862
13. Chamie J. 2017 Student Debt Rising Worldwide. YaleGlobal Online 18 May 2017 https://yaleglobal.yale.edu/content/student-debt-rising-worldwide

Public financing is more effective to finance development than micro-finance or private sector investment

Financing for development is a major concern which could be addressed by resurrecting state owned banks. Many countries privatised their state-owned banks under structural adjustment programmes, but there are still a large number of state-owned banks that remain effective and profitable.[14] The 2007 crisis demonstrated the weakness of the private banking system in the absence of state regulation. Meanwhile, the developmental impacts of financial inclusion initiatives such as microfinance have had limited success in improving household welfare and in some cases been catastrophic.[15]

The argument for continued involvement and relevance of state-owned banks in development is supported by the performance of a number of existing state-owned banking in Asia, Africa, Europe and Latin America: "there is no hope of creating a structural alternative to neoliberalism without first asserting democratic control over society's money resources. At this particular conjuncture, democratized state-owned banks offer the most viable alternative.[16]"

Public sector employment for young people builds skills and strengthens the spirit of public service The State can support employment creation through active labour market policies such as public works programmes and investment in labour intensive sectors. In addition, governments themselves are one of the largest employers: in 1998 the world share of public employment was about 30%.

Public sector employment has been especially important for women, who occupy a large number of jobs in the public sector. An OECD survey of the aspirations of young people (aged 19-29) in developing countries confirmed that a significant percentage of young people wish to work in the public service - ranging from over 50% in Africa to a third in Latin America. This option is closed to many as a result of austerity.

These are a few examples of ways in which interventionist public policies can and have addressed social needs and economic development. Other policy areas such as housing can also be included. Under neoliberal free market policies, young generations are hostages to fortune, in the sense that they must depend on family networks, the private sector or philanthropy rather than the State and solidarity to have a secure, safe and healthy transition to adulthood.

Lesson Three: Effective systems of social solidarity need a capable state and equitable social contracts

Under neoliberalism, the capacity of States to address development, respond to crises and reach large swathes of the population has continuously been eroded as a result of disinvestment in public institutions.

Ironically, while there is much talk about failed and fragile states, the "small state" policies advocated by international financial institutions (IFIs) exacerbate that situation. Building state capacity is part of the project to combat poverty and inequality, and many successful states did not start with large bureaucracies but did build them[17].

The United Nations Research institute for Social Development (UNRISD) suggests that building state capacity requires a focus on three dimensions: 1) crafting effective political capacity; 2) mobilising resources for development objectives and 3) allocating resources to productive and welfare enhancing sectors and enforcing rules governing their use.[18]

14. Morais T. State-Owned Banks and Development: Dispelling Mainstream Myths https://core.ac.uk/download/pdf/42550199.pdf
15. Chang H-J. 2002 The role of social policies in development: Some Theoretical Reflections and Lessons from East Asia. UNRISD, Geneva http://unrisd.org/80256B3C005BCCF9/(httpAuxPages)/D7A4D3693E1D5EBDC1256C77003A0FBE/$file/chanlong.pdf
16. Idem
17. UNRISD 2010 Combating Poverty and Inequality: Structural Change, Social Policy and Politics
18. Idem

Of course, the post-colonial state has also been highly problematic. The idea of rebuilding social contracts, as presented by the South feminist network DAWN (Development Alternatives with Women for a New Era) calls for a rethink of the foundations for state-citizen relationships. Social contracts are collective agreements that are "built on and imbued with power; [they] may be imposed from above, fought over from below, and always hold the potential for change."

A serious challenge to rebuilding social contracts is the extreme power and wealth held by transnational corporations. Of the 100 richest economic entities, 69 are corporations, and the remaining are countries. The figure rises to 157 of the richest 200 economic entities are corporations, against 43 countries.[19] This extreme concentration of wealth gives transnational corporations power to dictate public policies to governments, whether it's climate policy, tax policy, education, health or any other social policy. The response from civil society organisations has been to campaign for cooperation between states at the international level, notably for example through a Binding Treaty on Business and Human Rights, currently being negotiated in the Human Rights Council.[20]

Lesson four: Development is a process of trial and error – governments need fiscal and policy space, but should also create an open, participatory policy environment in which young people can be actors in shaping their futures

Studies of developmental and welfare states have shown that there have been failures as well as successes. Trial and error were common, but this points to the need for policy space for governments to act, which is impossible when they operate under current policy restrictions imposed by trade agreements, international financial institutions, donors or transnational investors.

According to the United Nations Conference on Trade and Development (UNCTAD) 'policy space' refers to: "the freedom and ability of governments to identify and pursue the most appropriate mix of economic and social policies to achieve equitable and sustainable development in their own national contexts".[21] The era of globalisation and trade liberalisation under the World Trade Organisation Uruguay Round Agreements, and neoliberal aid/loan conditionalities to privatise and deregulate economies have reduced the space of states for social policy. Furthermore, these policies have delinked economic policies from social objectives[22], unlike development and welfare state models. This has happened for example through the loss of jobs through de-industrialisation and opening up to competition, pressures to dismantle labour rights to attract investors, through cuts in social spending as a result of the insistence on cost recovery.

There are features of some developmental states, such as their top down, authoritarian and/or paternalistic approaches that are unacceptable. Some governments that succeeded in lifting huge parts of their populations out of poverty and developing new industries could also practice repressive and exclusionary policies towards racial, religious and indigenous minorities, women and LGBTQIA+ people. The hetero-patriarchal hallmarks of many developmental states—authoritarian, queerphobic, misogynist and patronising—are not alternatives to neoliberal states, many of whom are marked by the same characteristics. New and old movements are increasingly challenged to be intersectional, ensuring that alternatives are feminist, just, sustainable, democratic and inclusive.

19. Global Justice Now 2017 https://inequality.org/research/richest-entities-corporations-governments/
20. Business and Human Rights Resource Centre. Binding Treaty on Human Rights https://www.business-humanrights.org/en/binding-treaty
21. UNCTAD 2014. Trade and Development Report: Global Governance and Policy Space for Development https://unctad.org/en/PublicationsLibrary/tdr2014_en.pdf
22. UNRISD 2016. Policy Innovations for Transformative Change: Implementing the 2030 Agenda for Sustainable Development. UNRISD Flagship Report 2016.

Conclusion

Developmental and welfare states arose from the crises of a global Great Depression, world wars, large scale famine and epidemics and large-scale human rights abuses, including genocides, and colonialism. The international human rights framework was designed to ensure that this can never happen again. The role of states in delivering on those rights was and still must be a central obligation, and we can learn from the ways in which various political systems sought to deliver on those rights. Learning from past mistakes and successes over generations is important to inform the ways in which we choose to shape new futures.

Robust and effective social systems require institutional capacity of both national and local state agencies. This includes ensuring that institutions have the necessary financial and human resources to deliver those services.

Young people should not simply be seen as beneficiaries in delivering services. Governments should open opportunities for youth to participate in the delivery of services through public sector employment that ensures decent work, lifelong skills development and professional mobility that nurtures public leaders of the highest standard. The downgrading of vital public sector workers through low pay and bad working conditions, and the lack of investment in building technical knowledge and expertise in the public sector can only serve to disenfranchise youth who make up the majority of the world, and thus weaken societies rather than strengthen them.

This is an excerpt from ActionAid International's draft report ***Youth, Gender and Social Protection: Rebuilding Systems for the 21st Century (2018)***

Authored by Nancy Kachingwe and Kudzai Makombe

Commissioned by
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Design and layout by: The Media Chilli
Artwork by: Donovan Ward

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