



Social and Political Dimensions of the Global Crisis: Implications for Developing Countries

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Conference Summary *

On 12–13 November 2009, UNRISD convened 24 researchers, identified primarily through a call for papers, to speak at the conference on *Social and Political Dimensions of the Global Crisis: Implications for Developing Countries*. The presentations and discussions centred on key questions that have been neglected in international policy circles—either because of the way mainstream debates and priorities on the global crisis have been framed, or lack of information and analysis. This summary presents the main debates and messages that emerged from the conference and is structured around four questions:

1. Which social groups in developing countries have been particularly affected by the crisis, and how are they coping?
2. What role can and should social policy play in addressing the social impacts of the crisis?
3. How resilient is neoliberalism?
4. What sort of politics is conducive to “transformative” change?

Where relevant the names of some of the speakers who emphasized particular points are noted in parentheses. A list of the conference papers and presenters is included as an annex. An extended report will be published as an issue of *UNRISD Conference News* in early 2010.

1. Which social groups in developing countries have been particularly affected by the crisis, and how are they coping?

Most countries referred to in the presentations have experienced a deterioration in labour market conditions associated with significant retrenchment in certain sectors, declines in real wages, shifts from skilled to unskilled and regular to temporary/causal work, and a weakening of union power. Presentations referring to India, Thailand and Asia more generally, as well as Senegal, emphasized the extremely difficult situations faced by urban informal sector workers, women, migrants, and farming populations in areas of rural decline.

Informally employed workers have been hit hardest by employment contraction and lack of social protection (Hirway and Prabhu). Women in particular face greater job insecurity and weaker claims to social security benefits, increased work burdens as a result of “distress sale” of labour (to replace male wages or augment household income) and increased unpaid work. Women and girls also face reduced access to health care, and girls to education, compared

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with male family members (Corner; Elson). Youth is another social group that has been adversely affected by this crisis, with rates of unemployment two to three times higher than national averages in the Caribbean region (Downes). Migrants, who tend to be employed in informal labour markets under tenuous conditions without access to social protection, and to lack household or community linkages, have been facing extremely precarious situations in many countries. And finally, migrant flows back to countries of origin are exerting further pressures in rural areas already constrained by falling government investment in infrastructure, marketing channels and institutional credit.

Overall, governments (especially in the North) have been swift to react to the financial and economic crisis, safeguarding the “reproduction of capitalist money” as well as the “reproduction of capitalist production processes” by shoring up the banking system and preventing bankruptcies of large-scale firms. Their response to needs associated with the “social reproduction of human beings”, in contrast, has been remarkably slow. While it is often assumed that families and communities are sufficiently resilient to crises, there is a danger of over-burdening the domestic sector, which may deplete its resources and leave irreversible negative impacts on the capabilities of children and adults (Elson).

Referring to Latin America, some speakers emphasized that the social question related not only to the vulnerability of particular groups but also to problems of social cohesion—or indeed, social “disintegration”—associated, for example, with drug-related violence and criminality in certain cities, or drug cartels creating “alternative realities” in some countries (Arizpe; Nef).

Presentations referring to China, India and Indonesia, as well as to cooperatives in Africa (Allen and Maghimbi), examined how vulnerable groups are coping in contexts of crisis. A survey of small producers and informal workers from six export-oriented sectors found that in the absence of significant support from governments, NGOs and business, most workers have been left to fend for themselves through a combination of dis-savings, mortgaging or selling assets, reducing consumption levels, and incurring more debt to meet consumption needs (Hirway and Prabhu). Mobilizing resources—or social capital—through social networks or institutions (the family, patron-client relations, reciprocity involving friends and neighbours, marriage) plays an important role in coping strategies (Tan-Mullins).

Two key messages emerged from these discussions.

- Households, families and communities play a crucial role in social protection and social reproduction in contexts of crisis. But their ability to take on additional burdens has been weakened by structural changes associated with migration, rural decline and informalization. Certain demographic changes (such as the increasing dependency ratio in China) have also undermined cultural norms that encouraged those of working age to care for family elders (Tan-Mullins).
- Local support can help people cope, but needs to be buttressed by both national and international action related to social policy, macroeconomic policy and governance structures. Institutional solutions and collective action need to occur at multiple levels: local, national, regional and global.

2. What role can and should social policy play in addressing the social impacts of the crisis?

The limits of local solutions justify a stronger role of the state in social protection. In the global context, social policy is often treated as an add-on to economic policy. Many governments in developing countries have tended to adopt narrow and fragmented approaches that focus on “targeting the poor”. The conference sought to examine the challenges confronting social policy in contexts of crisis, as well as whether a more inclusive, comprehensive approach to social policy might emerge.

Several speakers thought that the crisis constituted an opportunity for social policy to play a prominent role in development strategies, warning that it was critical “not to let a good crisis go to waste” (paraphrasing an advisor of the Obama administration). From a normative and strategic perspective, however, there were considerable differences of opinion regarding priorities. Some speakers emphasized the need to target social policy, channelling assistance towards particularly vulnerable groups such as women (Arizpe) and the “extreme poor” (Manji and Devine). Others pointed to the need to promote universal programmes that have broad coverage and substantiate a rights-based agenda (Arza).

Considerable attention was paid to the need to (re-)build developmental welfare states and more universal approaches to social provisioning and assistance (Riesco and Draibe; Deacon). Others argued that broad standardized approaches, however desirable, cannot be applied in practice: different social policy sectors—health, education, water, housing, pensions, etc.—each have their own possibilities and constraints that need to be addressed through a “programmatic” approach (Fine).

In the context of globalization and the limits of national policy responses, attention also focused on the crucial role of both regional and global social policy (Deacon) as well as the necessary role of official development assistance (ODA). But ODA has been in retreat not only due to the fiscal implications of the economic downturn and new budgetary priorities associated with the crisis, but also because most governments have failed to meet the international target of allocating 0.7 per cent of GNI to development aid. The notion that countries should rely more on private capital markets for additional funds was questioned. Evidence from sub-Saharan Africa, for example, shows that ODA represents a significant proportion in the overall financing mix, and the difficulty of accessing private capital finance. Maintaining—if not increasing—ODA in such contexts is of paramount importance (Addison and Tarp).

Participants debated whether or not social policy is actually leaning more towards universalism. There are signs that some governments have expanded social programmes and paid particular attention to labour market policies. Caribbean countries, for example, have used a series of measures to respond to the employment and social impacts of the crisis, including macroeconomic stabilization policies to keep up aggregate employment levels, but limited fiscal space poses a serious problem for most of these countries. Housing, road works and social infrastructure have also been targets of fiscal expansion. Labour market measures comprised training and re-training programmes (in almost all countries), improved unemployment insurance benefits (Barbados) and the establishment of unemployment schemes (in Antigua and the Bahamas). Other countries, including Jamaica, St. Kitts, St. Lucia, and Trinidad and Tobago, have responded through conditional cash transfers. Pre-crisis

social and labour market policies acted as built-in stabilizers and cushioned the effects of economic shocks associated with falling commodity prices and declines in remittances and tourism.

In Argentina steps were taken to deal with the negative consequences of privatization of social policy, for example, through the nationalization of the pension system. Concerns were expressed, however, about the fiscal and political sustainability of the new system (Arza). In China, a part, albeit limited, of the massive stimulus and investment package has focused on social investment (Cook). When steps are taken at the national level to extend social protection schemes, there often remains a large gap between national policy goals and local politics and implementation capacity (Cook). This can undermine the capacity of the central government to benefit rural areas, migrants and the poorest. In India much of the country's vast informal sector remains off the radar of social policy. Nevertheless, a range of initiatives, focusing in particular on the rural sector, have been promoted recently, most notably a significant expansion of the workfare programme mandated by the National Rural Employment Guarantee Act of 2005.

A number of concerns were also raised about the conditional cash transfer programmes being promulgated around the world, using the Latin American blueprints (based on the Mexican *Oportunidades* programme, or the Brazilian *Bolsa Familia*). A presentation assessing the role of social policy in Senegal suggested that the government and donors should build on existing, albeit embryonic, social security strategies that are embedded in local systems and with which the government administration is familiar, rather than adopting externally promoted initiatives (Faye and Paul).

At the international level, there are signs that certain institutions are paying more attention to the need for universal social policy. Particularly relevant are the efforts of several UN agencies to promote a "Global Social Floor" consisting of a package of old age pension and disability benefits, child benefits, universal health care, and minimum employment guarantee schemes. However, such efforts run the risk of perpetuating a narrow approach to social policy centred on poverty reduction and protection, rather than a more rights-based and redistributive approach (Deacon).

Whether or not state-centred social policy is actually appropriate also emerged as an issue. Social policy responses to crisis often have a gender bias, favouring men and ignoring the fact that much of the responsibility and work associated with household coping strategies falls on women (Corner). Several speakers pointed to the dangers of strengthening the role of states in contexts of weak democratic governance (Nef), given the scope for a resurgence of authoritarianism. The developmental welfare state model, it was argued, needs to be complemented by a rights-based approach (Elson).

Several presentations emphasized the symbiotic relationship between economic and social dimensions of development. Countercyclical and stimulus policies can play a crucial role in both economic recovery and social protection. Yet many developing countries lack not only the capacity to mobilize fiscal resources, but also the policy space to venture down this path. Indeed, concerns were raised that the IMF's renewed importance in global economic governance following the crisis may continue to limit the fiscal space of developing countries.

The social consequences of crisis that derive from increased un- or under-employment and declining wages ultimately require not only social protection, but also employment generation

and employment-centred growth. Concerns were expressed, however, that stimulus and other policy responses are neglecting the employment dimension, resulting in “jobless recovery”. Should the state, which acted as “lender of last resort” to bail out the banks, now play the role of “employer of last resort”?

Presentations referring to India and Senegal stressed the importance of support for small enterprises and the agrarian sector (Devine and Kelkar; Banerjee; Faye and Paul). New patterns of investment and industrial diversification were seen as crucial in the case of South Africa (Mohammed). Referring to social policy in the Caribbean, the point was also made that the role of social policy is both to protect people and to raise productivity (Downes). Countercyclical macroeconomic policies can stimulate not only economic activity but also social investment and social reproduction, including the capacity of women and households to provide care (Elson)

3. How resilient is neoliberalism?

There was near-consensus that the root causes of the present crisis and the social malaise of the past three decades are closely connected with the dominant ideological and development framework associated with neoliberalism. This approach has eroded key state capacities (related, for example, to rural development and inspection of workplace conditions), encouraged the domination of national economies by financial markets, and promoted forms of deregulation that have had perverse economic and social effects. Participants debated how the crisis had impacted neoliberalism, and whether mainstream responses to the crisis are merely an exercise in damage control that will ultimately restore the neoliberal order—or whether a more “transformative” agenda concerned with social protection, equity and rights-based development might emerge.

For some speakers the crisis represents a major blow to ideologies and policies of financialization, privatization and deregulation. A “global new deal” now seems more possible because the crisis has led to a fundamental reassessment of the role of the state (Riesco and Draibe). Some countries are beginning to reassess their policies related to privatization. In the case of Argentina, the crisis provided the political opportunity to nationalize the pension system (Arza).

Others stressed the considerable resilience of neoliberalism, and indeed the prospect that it may actually be strengthened by this crisis (Jessop; Fine; Deacon). They argued that the prospects for fundamental social transformation in the wake of crisis are heavily dependent on certain paths of pre-crisis structural change. For example, financialization, the long-term decline of agriculture, and labour market informalization or flexibilization magnify the social effects of economic crisis *and* seriously curtail what governments see as the options available to them in the social and labour-market policy arenas (Fine; Mohammed; Banerjee). In recent decades, the structuring of global value chains and of national economies around production for export has also reinforced patterns of post-crisis economic restructuring in favour of further trade liberalization, more flexible labour markets, and the transfer of risks and costs down corporate supply chains (Jessop). Despite the growing body of evidence that is critical of privatized social service provisioning and pension systems, many countries continue to pursue such policies. In Nigeria, despite major limitations of the privatized pension system, the basic principles of reform have yet to be questioned (Casey).

There was agreement that neoliberalism will, however, evolve and adapt—just as it did in the 1990s with the shift from the so-called Washington Consensus to the post-Washington Consensus. And it will adopt different forms in different regional and country contexts.

4. What sort of politics is conducive to “transformative” change?

There is a tendency in international research and policy circles to focus on normative prescriptions related to policy and institutional reform without examining the politics of change. Yet the types of collective action, coalitions and shifting social forces that need to be in place to promote and sustain a particular policy approach also merit attention. For this reason a major theme of the conference concerned the political dimensions of the crisis and crisis response. Particular attention was focused on:

- levels and forms of civil society contestation and activism;
- the substance or quality of democracy and governance; and
- discursive or “hegemonic” struggle involving elite and subaltern interests.

A complex tapestry of opportunities and constraints emerged when discussing these conditions. Presentations referring to China (Yu) and South Africa (Beckman) emphasized how contestation and civil society advocacy have played an important role promoting progressive social policy initiatives. Nevertheless, the fragmentation and dispersion of such modes of activism often undermine their transformative potential. A major institutional constraint in China relates the weakness of civil society—or intermediary—organizations that can act as a conduit for channelling local grievances and connecting the grassroots with the state (Yu).

As regards democratic institutions, the comparison of India and Thailand revealed variations in the substance of citizenship and electoral competition that partly explain variations in the social policy response of governments in relation to vulnerable rural areas (Nathan and Kelkar). The phenomenon of “weak” or “low-intensity” democracies in Latin America was put forward as a partial explanation for why progressive public policy reform is unlikely to occur on any scale (Nef).

Finally, the capacity of elites to dominate the terrain of discursive struggle means not only that very selective and partial explanations of crisis and crisis response will frame public and policy debates (Jessop; Deacon), but also that proposed solutions may well serve to transfer risks and costs onto subaltern social groups and developing countries (Fischer). Whether or not truly transformative social policy change will happen will largely depend on developments in these arenas.

Annex: List of Presenters and Papers

Session 1: Impacts, Coping Strategies and Livelihoods

Diane Elson, University of Essex – *Social Reproduction in the Global Crisis*

Indira Hirway, Centre for Development Alternatives and Seeta Prabhu, UNDP India – *Restructuring Development during Global Financial Crisis: Lessons from India*

Andrew Downes, University of the West Indies – *The Global Economic Crisis and Labour Markets in the Small States of the Caribbean*

Arindam Banerjee, Centre for Development Studies – *Emerging Constraints on Smallholder Agriculture in Developing Countries under Neoliberalism and Crisis: Evidence from the Rural Economy in India*

May Tan-Mullins, University of Nottingham – *Lessons from Two Financial Crises: Vulnerability, Resilience and Responses of Indonesian and Chinese Fisherfolk*

Lourdes Arizpe, National Autonomous University of Mexico and Chair of the UNRISD Board – *Reconstituting Communities in the Context of Crisis*

Session 2: Social Policy: Country and Regional Perspectives

Sarah Cook, UNRISD – *China's Social Policy Response to Economic Crisis: Towards a Developmental Welfare State?*

Govind Kelkar and Dev Nathan, Institute for Human Development – *Redistribution and Social Protection: Contrasting Experiences of Thailand (1990s) and India (2009)*

Lorraine Corner, UNICEF – *Gender Analysis of Fiscal Responses to the Economic Crisis in Asia*

Azim Manji and Josef Devine, University of Bath – *Hanging on a Thread: Financial Crisis, Risk and Vulnerability among the Extreme Poor in Bangladesh*

Ousmane Faye, APHRC and Elizabeth Paul, University of Liège – *The Opportunities of the Global Crisis for Social Policy Enhancement in Senegal*

Camila Arza, FLACSO Argentina – *Back to the State: Pension Fund Nationalization in Argentina*

Bernard H. Casey, University of Warwick – *Pensions in Nigeria: The Performance of the New System of Personal Accounts*

Manuel Riesco and Sonia Draibe, CENDA Chile – *Are Global Welfare and a Global New Deal Possible? A Latin American Perspective*

Session 3: Social Policy: Global Perspectives

Ben Fine, School of Oriental and African Studies – *Financialization and Social Policy*

Bob Deacon, University of Sheffield – *Shifting Social Policy Discourse: The Impact of the Global Crisis on Ideas about Social Protection and Global Social Governance*

Tony Addison and Finn Tarp, UNU-WIDER – *The Global Aid Architecture and the Triple Crisis*

Session 4: Political Economy Dimensions of Crisis

Björn Beckman, Stockholm University – *Trade Unions and the Politics of Crisis: South Africa and Nigeria Compared*

Emma Rose Allen, ILO CoopAfrica and Samwel Joseph Maghimbi, University of Dar es Salaam – *African Cooperatives and the Global Financial Crisis*

Seeraj Mohamed, University of the Witwatersrand – *The Impact of the Global Economic Crisis on the South African Economy*

Ying Yu, University of Nottingham – *Chinese Migrant Workers in the Global Financial Crisis: Political Economy of Policy Response*

Session 5: Political Economy Dimensions of Policy Reform

Bob Jessop, University of Lancaster – *Narratives of Crisis and Crisis Response*

Andrew Martin Fischer, International Institute of Social Studies, Erasmus University – *The Perils of Paradigm Maintenance in the Face of Crisis*

Jorge Nef, University of South Florida – *Social and Political Dimensions of the Global Crisis: A Perspective from the Americas*