

Developing a social policy framework for The Smith Family

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What is the purpose of social policy?

A Caring World: The New Social Policy Agenda (OECD 1999) makes a case for a new vision of the purpose of social policy. Social policy can no longer be presented as "papering over the cracks" caused by economic and demographic change in society. As knowledge plays an increasing role in generating wealth, building the capacity of individuals to develop their potential is a central and essential part of economic policy. The current situation in OECD countries and throughout the world calls for economic and social policies to be more integrated than ever. Social policy has to promote employment and healthy living, rather than just cope with joblessness and ill health. Investing in children and families is needed to ensure that all can contribute to society. Innovations and experiments in new social policies are needed to better equip individuals and families with the support they need to respond to change. The next few years will show whether employment oriented social policies, along with a strategy of life-long learning, are indeed the keys to ensuring that wider numbers of people can contribute to and benefit from increasingly efficient, but also increasingly demanding OECD economies.

Across OECD countries there is emerging a new balance in the rights, obligations, and opportunities of individuals and all the different institutions involved in social protection, including a more responsive public sector and the greater involvement of the private sector and non-profit organisations in the delivery of social policy. Donald J. Johnston, the Secretary-General of the OECD recently reaffirmed the need for a "triangular policy paradigm" for the OECD which gives proper recognition to three crucial elements of progress, namely, economic growth, social stability and good governance (OECD 1999: 3-4). The future of the economic development of increasingly knowledge-based OECD economies is closely tied to keeping the paradigm in balance, with human capital

being one of the driving forces of economic growth. The paradigm also requires social policies to promote not just sound social development, but to underpin economic development as well.

Amartya Sen makes a contribution to the eventual emergence of a "triangular policy paradigm" that better integrates economic and social policy in Development as Freedom. (Sen 1999).¹ The book is based on five lectures that Sen gave as a presidential Fellow at the World Bank during the fall of 1996. Its argument reflects his efforts to persuade the policy makers at the World Bank to incorporate an understanding of development that is not based exclusively on economic growth. He makes a case for them to incorporate the exercise and expansion of human freedom into theories of development for the sake of both social cohesion and economic vitality.

This briefing paper is part of The Smith Family's process of developing a social policy framework. It will propose criteria and a method, based on Sen's thesis, for the evaluation and formulation of economic and social policies that are integrated and also promote and enhance individual and community exercises of freedom. It will also begin to spell out the implications of The Smith Family's general research theme of social capability. The latter refers to the capacities of communities and individuals in them to draw from their own strengths to move beyond the limitations of disadvantage.

1. Amartya Sen is the Master of Trinity College, Cambridge, and winner of the 1998 Nobel Prize in Economic Science. He has been President of the Indian Economic Association, the American Economic Association, the International Economic Association and the Econometric Society. He has taught at Calcutta, Delhi, Oxford, Cambridge, the London School of Economics, and Harvard.

What are the key issues?

Good social policy has to take into account a number of key issues. Development, understood as a social and economic process of growth, has to be broad enough to expand the real freedoms that people enjoy.

Development first has to remove impediments that vast numbers of people face such as poverty, tyranny, poor economic opportunities, social deprivation and repression (Sen 1999:xii). Only then will people have more opportunities to exercise freedom.

Freedom, another key issue, is both the primary end and principal means of development. As a means of development it is both substantive and instrumental. Exercises of freedom that are substantive are elementary and basic. They include such capacities as literacy and numeracy, as well as opportunities to participate in politics, to speak without censorship and to avoid starvation, undernourishment, escapable morbidity and premature mortality. Exercises of freedom that are instrumental are developed and build upon and expand basic freedoms. They take in different kinds of rights, economic, political and social opportunities, and entitlements. Furthermore, instrumental or developed freedoms complement and strengthen one another.

Human capability is what emerges when substantive freedoms are achieved and instrumental freedoms expand possibilities for people. It is what enables people to do the things that they have reason to value (Sen 1999:56). The degree to which human capability has been achieved can be measured by capability sets (Sen 1987) the sum of achieved substantive and instrumental freedoms.

Another key issue is development analysis. It highlights the connection between development and freedom by showing how the presence or absence of one social opportunity, like access to education or good health care, can impact on access to economic opportunities. Japan and South East Asia, for example, have shown how provision of social opportunities in education and health can be the foundation of rapid economic growth. China also undertook reforms in health and education in 1979 that unwittingly prepared the country for market reforms. Development analysis also highlighted how from 1991 India's democracy paved the way for the operation of markets.

The relationship between development and freedom also challenges us to re-think the relative advantages between two different understandings of the process of development. One, expressed in growth mediated theories, assigns a high priority to fast economic growth and prosperity as the foundation for social services, including health care, education, and social security. The other, "support-led" theories of development, assigns prior importance to social programs of health care, education and sustainable economic growth. The latter are well exemplified by the economies in Sri Lanka, pre-reform China, Costa Rica or Kerala. They have all experienced rapid reductions in mortality rates and enhancement of living conditions, without much economic growth.

While economic prosperity helps people to have wider options and to lead more fulfilling lives, so too do more

education, better health care, finer medical attention, and other factors that influence the freedoms that people actually enjoy. These "social developments" are "developmental" since they help us to lead longer, freer, and more fruitful lives, in addition to the role they have in promoting productivity or economic growth or individual incomes. The UN's Human Development Reports especially espouse this broader view.

How can we evaluate and contribute to the development of social policy?

A social policy framework requires criteria and a method for evaluating and developing economic and social policies that are more closely interrelated and promote the development of individual and community exercises of freedom. The Smith Family's approach to such a challenge addresses principles of justice to which we appeal in support of freedom. It can be illustrated by reference to an Indian folkloric parable.

Three characters in the parable, Dinu, Bishanno and Rogini, illustrate the importance of different types of information for determining appeals to justice. The parable begins with a wealthy person who needs a worker. Dinu, Bishanno, and Rogini are all in need of a job. Dinu is the poorest of the three. Bishanno is also poor, as well as depressed and unhappy. Rogini is both poor and debilitated from a chronic disease. The differences in the principles of justice to which they appeal reflect the different types of information to which they assign the greatest importance. Dinu's situation focuses on income-poverty. Bishanno's condition concentrates on pleasure and happiness. Rogini's case argues for the importance of quality of life. Each appeal to justice is characterised by information that it either includes or excludes.

The three characters are symbols for three standard theories of social ethics and justice: Dinu for utilitarianism; Bishanno for libertarianism; and Rogini for the Rawlsian theory of justice. All three theories, however, have serious flaws because they overlook the importance of elementary or basic freedoms. The utilitarian approach pays attention to the availability of goods and services for as many people as possible when evaluating social arrangements. It can, however, be quite indifferent to a pattern of distribution that results in wide gaps between the very well off and the seriously disadvantaged. Libertarianism emphasises the importance of choice and the freedom to act on it, yet ignores and neglects the most basic and elementary freedoms that all humans treasure and demand. Rawlsian Theory focuses on the absolute priority of individual liberty, while overlooking how such a priority can weaken social cohesion among different socioeconomic groups in a society.

Principles or theories of justice for social and economic policies have to include information about human capability that incorporates both basic and developed freedoms for people to choose lives they have reason to value. In any appeal to principles of justice or criteria

for evaluating social policy, it will be very difficult to achieve full agreement on the most important values. The real issue for The Smith Family is whether we can appeal to criteria that are consistent with our vision and mission and reflective of our status as a national independent social enterprise. This challenge is central to our credibility as a contributor to social policy that is beneficial for all Australians. At this stage of our development of a social policy framework, we are proposing that capability sets, understood as the sum of basic and developed freedoms that individuals and communities can achieve, will be critical in evaluating the efficacy of social and economic policies.

At present, there is no widely accepted 'best practice' method for the evaluation of economic or social policies. Debate on alternative approaches to evaluation relates to what should be normative. There are good reasons, however, to focus on basic and developed freedoms, that is, on capability sets that enable individuals and communities to maintain well being and contribute to society. While this approach directly emphasises the importance of freedom, it also acknowledges utilitarianism's interest in well being, libertarianism's emphases on processes of choice and the freedom to act, and the focus of Rawlsian theory on individual liberty and the importance of rights.

The extensive reach of the approach is possible because the freedoms of individuals and communities can be judged through explicit reference to outcomes and processes that their exercise of freedom makes possible. The individual well being and contributions to society which capability sets make possible, reflect the various things individuals and communities may value doing or being. There are three potential ways that capability sets could be used as criteria for social policy:

- Directly, by comparing the relative advantages of a range of capability sets and a further comparison of outcomes that point to well being, such as employment or literacy.
- By supplementing income indicators with capability sets.
- Indirectly, with information on environmental factors which impact on individual and community ability to contribute. For example, family income levels may be adjusted downward by illiteracy and upward by high levels of education.

There is a basic problem, however, in establishing a relationship between the number or quantity of elementary and developed freedoms that make up capability sets and a qualitative judgment about the outcomes and processes which the freedoms make possible. The relationship is not only difficult to establish but open to considerable debate. There clearly is a need for a method of measurement or evaluation to bridge the distance between the number or quantity of freedoms in a capability set and making a qualitative judgment about exercises of freedom that are more than the sum of their parts. One possible approach that has been suggested is an application of "fuzzy set theory" (Martinetti 1994 and Martinetti 1996). The latter is a theoretical attempt to correlate quantitative and qualitative measurements

Advantages and Drawbacks in Using Capability Sets to Evaluate Social Policy

One of the most important advantages in using capability sets as a metric for policy analysis is that they are linked to specific historical periods and contexts and stages of development for particular individuals, communities and regions. They reflect and respect actual individuals, communities and regions in ways that measures which focus on single issues, such as economic growth, often miss. The use of capability sets allows for adaptability to a variety of complex situations that more simple conventional metrics do not possess.

Another advantage in having recourse to capability sets is that they provide a way of ensuring that development contributes to the cohesiveness of society and will not further widen gaps between the advantaged and disadvantaged. Approaches to development that focus primarily on economic growth often result in uneven distributional impact. Healthy, growing economies can be accompanied by growing numbers of individuals and families falling into disadvantage. If a more equitable realisation of capability sets becomes a guiding concern of approaches to development, economic growth will be significantly less likely to become disconnected from major segments of a country's population.

A further advantage in appealing to capability sets is that they ensure that accountability for values and a practical agreement on community values become a part of social and economic policy development. Agreement on values will always provide a huge challenge in the evaluation and development of social and economic policies. Unless values are acknowledged openly, and a limited degree of community consensus achieved, issues of accountability and transparency in policy development will be jeopardised.

Probably the most obvious practical drawback with the proposed approach is that the metric will require combination of quantitative and qualitative skills in policy evaluation, an interdisciplinary approach to policy development, for which there will not be many precedents in many countries. Finding and bringing together the right combination of policy analysts will be a major challenge.

A further drawback is that the skilful application of the metric will take considerably more time. Inasmuch as more simple metrics for policy analysis provide quicker results, capability sets may have to always be used in combination with other metrics, especially when there is a need for quick policy responses. One possible consequence is that short-term policy analysis might become practically impossible. This problem is quite serious. It is perhaps an issue that will only be resolved after skills in applying capability sets as a measure of good social policy are developed, tested, and refined across a range of situations.

Overcoming Capability Deprivation and Moving toward Social Capability

When freedom is central to our concept of development, our attention shifts from income poverty to the more inclusive idea of capability deprivation. There is a critical relationship between incomes and achievements, between commodities and capabilities, between our economic wealth and our ability to live according to our values. The usefulness of wealth lies in the things that it allows us to do, the substantive freedoms it helps us to achieve.

Freedom-centred development shares similarities with quality of life concerns that concentrate on the choices that one has and not just one's resources of income. Individual freedom is crucially important in the concept of development for two reasons. First, the success of a society is measured by the elementary and basic freedoms that the members of that society enjoy. Second, individual freedom is also a principal determinant of individual initiative and social effectiveness. Greater freedom enhances the ability of people to help themselves and also to influence the world, and these matters are central to the process of development.

This 'agency aspect' of individual freedom bears upon many public policy issues. It challenges strategic choices such as using fine-tuned targeting for ideal delivery of services to a supposedly inert population, or devising policies and programs to enhance greater social, economic and civic participation in society. People have to be given the opportunity in shaping their own destiny and not simply become the passive recipients of development programs. The state and society have extensive roles in strengthening and safeguarding human capabilities for participation. This is a long-term supporting role, rather than short-term one of ready-made delivery.

It is a characteristic of freedom that it has diverse aspects that relate to a variety of activities and institutions. It cannot yield a view of development that translates readily into some simple formula of accumulation of capital, or opening up of markets, or having efficient economic planning. The organising principle that places all of the different bits and pieces into an integrated whole is the overarching concern with the process of enhancing individual freedoms and the social commitment to help bring that about.

Cultures that have been influenced by Western emphases on the individual exercise of freedom have often been marked by a loss of the sense of the common good. The approach taken in this briefing paper has tried to compensate for that loss by proposing a criterion for evaluating social policy that pays as much attention to the health of communities as to individuals. The emphasis on elementary and developed freedoms that constitute capability sets incorporates the idea of an acceptable and tolerable society. Such a society approaches development in a way that respects the many layers and degrees of human freedom. Such a society is marked by social capability.

There are clear social policy correlations between an appeal to capability sets as a metric for policy development and Donald J. Johnston's call for a "triangular policy paradigm". Capability sets could become a fitting complement to Johnston's identification of three crucial elements for progress: economic growth, social stability and good governance. For the metric presupposes, as does the policy proposal, an integration between economic and social policy and goods by addressing economic production, the well-being and freedom of people, and the capacity for leadership to affect social change.

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