

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

**CENTRAL ISSUES RELATED TO SOCIAL POLICIES:
COMPARATIVE STUDY AND GUIDELINES FOR
THE FORMULATION OF SOCIAL POLICIES
IN THE ESCWA REGION**

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ABBREVIATIONS AND EXPLANATORY NOTES

| | |
|---------|------------------------------------|
| CAP | Canada Assistance Plan |
| CHST | Canada Health and Social Transfer |
| EIP | Employment Insurance Programme |
| NEP | New Economic Policy |
| OPP I | First Outline Perspective Plan |
| OPP II | Second Outline Perspective Plan |
| OPP III | Third Outline Perspective Plan |
| NDP | National Development Policy |
| MBC | Malaysian Business Council |
| SOCISO | Social Security Organization |
| MLSG | Minimum Living Standard Guarantee |
| PWP | Public Work Project |
| PAP | Public Assistance Programme |
| NPP | National Pension Programme |
| NHI | National Health Insurance |
| SME | Small and medium-sized enterprises |

References to dollars (\$) indicate United States dollars, unless otherwise stated. Bibliographical and other references have, wherever possible, been verified.

INTRODUCTION

This paper, prepared by the Economic and Social Commission for Western Asia (ESCWA), lays the foundation for a forthcoming publication on integrated social policies in the ESCWA region. The two principal objectives of the present paper are to draw attention to cases in which social policies have been implemented successfully within a sustainable development framework and derive guidelines based on these experiences for the formulation of sound social policies in the ESCWA region.

Chapter I provides a summary of five country case studies on the successful experiences of Canada, the Republic of Korea, Malaysia, Norway and Tunisia with regard to social policies.¹ The significant divergences in the social models of these countries are the result of national differences in terms of history, political context and endowments. Canada has invested heavily in the welfare model, while the Republic of Korea has based social policies on central management in order to boost industrialization. Malaysia has sought to empower the poor and integrate them into the economic development process, while Norway has based its social model on productive employment. The social policies pursued by Tunisia, the only Arab country reviewed in this chapter, promote the active participation of grassroots organizations through an adaptive model of good governance in order to deal with structural adjustment programmes.

The historical developments in building the institutions necessary for implementing social policies are unique for each country and cannot be readily transposed into other regions. Moreover, the balance between individual and community interests, which is a function of social attitudes that evolve across several generations, varies significantly between countries and between the developed and developing regions. However, a number of overriding principles contribute to effective and successful social policies. Chapter II investigates the salient commonalities between the five country studies and provides guidelines for the planning and implementation of social policies in ESCWA member countries.

The situation in the ESCWA region offers neither simple nor easy choices. However, inaction is the least prudent of all possible choices. The fruits of social policies are reaped in the long-term and their cultivation requires strong, transparent strategies sustained by political will. Prioritizing social policies requires considerable courage and commitment that can be aided and rewarded politically, through wide public support and economically, through attracting national and international

¹ *Social Policies in Canada: A Model for Development* (E/ESCWA/SD/2001/9); *Social Policies in Malaysia* (E/ESCWA/SDD/2003/1); *Social Policies in Norway: Processes, Structures and Implementation Mechanisms* (E/ESCWA/SD/2001/10); *Transforming the Developmental Welfare State in the Republic of Korea* (E/ESCWA/SDD/2003/9); *Social Policy Models: Lessons from the Tunisian Experience* (in French and Arabic), (E/ESCWA/SD/2002). These case studies were presented at the Policy Makers Meeting on Social Policies in the ESCWA Countries held in Cairo, 10-12 December 2002.

investment. Social policies need to be implemented at institutional, organizational and individual levels in order to be effective. These levels are complementary in that institutional values and norms largely produce and govern the behaviour of both organizations and individuals. Individuals can be considered as the building blocks of institutions, which are essentially based on their norms and values. Consequently, each level impinges on the others in a mutually constructive or destructive manner. Strategies aimed at reforming social policies must seek to engage the various segments of society and need to be formulated in a manner that makes it possible to focus on and tackle all three levels at the same time.

I. SUMMARY OF SOCIAL POLICIES IN SELECTED COUNTRIES

A. CANADA

The present social security system in Canada was shaped by the initiatives of the 1960s and 1970s during the “golden era” of the welfare state. During this period, Canada introduced a number of separate initiatives that, when taken as a whole, established the Canadian version of the welfare state. The ground was prepared for a considerable expansion of post-secondary education, assisted by federal financing. The provinces embarked on a mission to double university capacity and create a new system of colleges. The framework for adult training was implemented during the same period. The structure of the present social welfare system was established by the Canada Assistance Plan (CAP), which introduced extensive reforms in the area of health and income security for senior citizens. An active employment policy was introduced that gave Government a stronger role in labour market adjustment, including the provision of counselling and training, in addition to support for mobility and community economic development. In view of the diversity of Canadian society, language and multicultural issues moved to centre stage.

In 1971, there was a major expansion of unemployment insurance. Since then, there has been some paring back in several areas and certain additions have been made with regard to developmental uses. The present unemployment insurance system is based on the 1971 reform and remains the defining Canadian social security programme for adults. It has achieved this status because it extends beyond the usual scope of insurance to cover other matters including regional development, training and maternity leave. Unemployment insurance represents both the strengths and vulnerabilities of social security in Canada.

In key areas of social policy, namely, health and education, the role of the federalist system of the national Government of Canada has been to participate in the design of systems and use federal-provincial transfers in such a way as to induce the provinces to create a national system. This strategy has resulted in the creation of a mature welfare state that provides Canada with the safety net sought by social policies since the Great Depression.

However, globalization and the associated technological and economic restructuring have transformed the politics of the welfare state. Domestic and international policy can no longer be separated, and the future of social protection can now be contemplated only within a global context. The pressures on the welfare state are intense. Nevertheless, the welfare state remains deeply embedded in the political economy of Canada. Social programmes continue to absorb a substantial, growing portion of resources and public expenditures.

This transformation creates a challenging context for policy makers. At the broadest level, the challenge is to shift from a welfare state premised on national economy to one consistent with the dynamics of a global economy, in such a way as to preserve the commitment to social justice and social solidarity inherent in the post-war model. This broad challenge generates an infinite number of subsidiary challenges, the most important of which are to find a balance between the social needs of the population and the fiscal pressures on the State, devise educational and training systems that can equip citizens for a new economic order and ensure that social policies continue to reflect the diversity and needs of Canadian society. Lessons drawn from the social policy model and the history of the Canadian welfare state are summarized below.

1. The principle of universality as a tool of social cohesion

The original conception of the welfare state, which guided social activism during the middle decades of the twentieth century, was a vision of a set of universal social programmes aimed at fostering social cohesion, equality, social integration and the integration of social policies with demands for a just society. It could be argued that Canadian politics revolves less around class division than regional and linguistic divisions. Social integration in Canada has tended to mean building common bonds among various territorial units, language groups and regional cultures. Universal social programmes are important in the context of social cohesion. Furthermore, the expansion of the federal role in the social security system in the post-war era has turned the welfare state into a powerful instrument for the redistribution of wealth among the different regions of the country and reinforcement of social cohesion amongst Canadians.

Social policy reforms have had the greatest impact on the principles of universality. This is evident in the changes made to the health care system, benefits for children, primary and secondary education, the retirement/income system and, in 1995, the replacement of CAP by Canada Health and Social Transfer (CHST). Numerous Canadian researchers have argued that these reforms reflect the impact of neo-liberalism on Canadian social and economic policies since the 1980s. The introduction of CHST has had a significant impact on social safety net provisions as it altered the centrist character of the welfare state and weakened or eliminated federal powers for the purpose of setting national standards. As an instrument of social policy, CHST constitutes the legislative framework for the devolution of most federal safety net powers to the provinces. Hence, the transition to a decentralized welfare state has not only curtailed the role of the federal Government in terms of setting and enforcing national standards, services and priorities but has also eroded those principles of universality that have served, through the history of the welfare state, as important and effective instruments of social cohesion.

2. Social policies and social rights

The link forged between social security and human and citizenship rights represents a major transformation of social policies. The entrenchment of the Canadian Charter of Rights and Freedoms in the Canadian Constitution led to the replacement of the traditional welfare state of the 1960s by one rooted in social rights. The equality provisions in the Charter expanded the social responsibilities of the Government, which is committed to making equalization payments to the provinces in order to ensure that their revenues are sufficient to provide comparable levels of public services at comparable levels of taxation. In practical terms, these provisions have served to institutionalize integrative and equality approaches to social policy and allow citizens direct access to the social policy process.

Some observers have noted that equality provisions have influenced the content of social policies. As social policy is developed, the Government assesses proposals with increasing care in order to ensure that they do not violate the Charter and will not involve the Government in litigation. In this way, the Charter gives Canadians direct access to the social policy process on the basis of the social rights that it enshrines. This reality has contributed to the transformation of perceptions concerning who can and should be able to participate in the social policy process. Anti-poverty activists in Canada are currently challenging five provinces for violation of the Canadian Charter of Rights and Freedoms and failure to guarantee the “security of the person”. These activists also allege that these provinces are not doing enough to protect the poor from homelessness and hunger. The case deals with discrimination and, also, the application of economic and social rights in Canada. Some have argued that the provision of assistance to Canadians suffering from poverty for the purpose of meeting their basic needs is an important political and social responsibility but not a constitutional obligation. However, the institutionalization of social and minority rights confers legitimacy on such concerns and obliges courts in Canada to rule on whether welfare should be a constitutional right.

3. Social policy and restructuring

Pressures on the social role of the State have not produced radical reductions in social programmes but they have generated a new trend of restructuring. The prevailing discourse in policy debates in Canada, as in other countries in the West, emphasizes the importance of adjustment to a changing economic order and ideology. It also favours a shift in emphasis from passive to active social programmes, particularly with regard to the provision of support for the unemployed. Passive social programmes such as unemployment insurance and social assistance, which simply provide income support, are considered less desirable than programmes that emphasize training and retraining, assistance with job searches, employment subsidies and geographic mobility. With the disappearance of millions of low-skilled jobs and the expansion of more high-skilled positions, the issue of retraining has taken on a

symbolic importance in the politics of social policy far in excess of its capacity to improve the lot of the most vulnerable groups in the West.

Restructuring is also prevalent in the governance model that guides social reforms and which emphasizes accountability, transparency and participation. The fact that the central Government has moved away from corporatism, thereby bringing business and labour into the social and labour policy process, provides evidence that the structure of the relationship between the State and civil society has altered. Moreover, the Government has started to engage non-governmental organizations and civil society institutions in policy dialogue, which has led to the forging of partnerships for the delivery of social programmes and services.

4. Restructuring and the feminization of poverty

In Canada, a disproportionate number of women are on the lowest rung of the social scale.² The family and care responsibilities of women are inextricably tied to their opportunities for security. Many families require two incomes in order to remain above the poverty line. This factor, combined with reduced Government funding for social services, has placed an even bigger burden on women. As the State retreats, both in ideological terms and in terms of its provisioning role, women are obliged to undertake a greater share of unpaid caring and rearing work. In addition, cuts in care-giving services have eliminated a number of paid jobs for women and forced a greater number to assume an increased amount of unpaid care work. This situation restricts the participation of women in paid work and makes them more economically dependent.

Moreover, a greater number of adult women receive social assistance than men. In addition to being poorer than men and more reliant on social assistance and other Government transfers, women are more vulnerable to becoming poor. The income for women from all sources amounts to some 58 per cent of income for men. An equivalent gender gap exists with regard to pension benefits, with women receiving a mere 58.8 per cent of the pension benefits received by men.

In 1994, 40 per cent of women and 27 per cent of men held non-standard jobs, meaning that they were self-employed, held multiple jobs or jobs that were temporary or part-time. Many such jobs were minimum wage jobs that were unlikely to have union protection and provide pensions or benefits. The persistent poverty and economic inequality of women are caused by a number of interlocking factors. These include the unpaid role of women as carers and nurturers of children, men and old people, the fact that in the paid labour force women perform the majority of the work

² Recent statistics show that 17.9 per cent of Canadians live in poverty. In 1995, 57 per cent of all persons living in low-income situations in Canada were women. In absolute numbers, that amounts to 2.059 million women. The poverty rate for women at all ages and stages of life tends to be higher than it is for men.

in the caring occupations and that women's work is less well paid than that of their male counterparts, the lack of affordable and safe child care, the lack of adequate recognition and support for child care and parenting responsibilities that either constrains the participation of women in the labour force or doubles the burden that they carry, the fact that women are more likely than men to have non-standard jobs with no job security, union protection or benefits, the entrenched devaluation of the labour of women of colour as well as Aboriginal women and women with disabilities and the economic penalties that women incur when they are unattached to men or have children alone. In general, women as a group are economically unequal because they bear and raise children and have been assigned the role of carer. Secondary status and income and, for millions of women, poverty, go hand in hand with these roles.

In view of these realities, it is clear that the equal rights of women will only be recognized when the gendered nature of poverty and economic inequality are acknowledged and addressed. Therefore, policies and programmes need to be analysed from a gender perspective including those related to macroeconomic stability, structural adjustment, external debt problems, taxation, investments, employment, markets and all relevant sectors of the economy. Furthermore, the pursuit and implementation of sound and stable macroeconomic and sectoral policies designed and monitored with the full and equal participation of women, encouragement of broad-based sustained economic growth, addressing the structural causes of poverty and gearing them towards eradicating poverty are imperative in order to bridge the gap of economic inequalities and forge a new, equitable policy framework.

Restructuring and targeting the allocation of public expenditure in a way that facilitates equal access to productive resources, in addition to addressing the basic social, educational and health needs of women, particularly those living in poverty, are just some of the concrete measures that would promote economic opportunities for women and help to alleviate poverty in this group. Such measures would also contribute to the achievement by women of their social and human rights.

B. MALAYSIA

1. *Introduction*

During the past five decades, the social policies of Malaysia have evolved and pursued various approaches according to prevailing socio-economic priorities. The role of governmental and non-governmental organizations has posed a challenge to the theme of accessible and affordable public social services, sources of funding for the provision of social services and the priority of expanding social services in the overall context of economic growth and national development. The main components of Malaysian social policies range from functional services related to health, education, employment, social protection, and poverty reduction to categorical issues of women and youth. The tangible improvements that have been made are most evident in the

spheres of education, employment opportunities, health and medical care, social protection and poverty eradication, in addition to facing new challenges of globalization and the significant role and contribution of women and youth.³

2. Ideological context

Social policy reflects the dominant ideology of a given country and is the consequence of the evolving conflicting economic interests and social values of various population groups. Malaysian social policy was initiated by government funding and administration for the purpose of creating a balanced welfare state that provides a minimum level of welfare yet does not deter recipients from seeking productive employment. The clement combination of political stability since the early 1950s and continuity with regard to political and economic ideologies and policies has contributed to the rapid evolution of social policies. The economic growth of the country has continued unimpeded by natural disasters or major regional military conflicts. As early as the 1970s, the government policy of growth and equitable distribution aimed to eliminate colonial policies that had favoured the Chinese and Indian urban base of the economy and created income disparities between the urban minority and the ethnic rural majority. The policies that replaced these sought to maintain national unity and create a harmonious multi-ethnic, and multi-religious nation. The government assumed a leading role in the formulation of social policies, supported by economic policies, in order to achieve its broader socio-economic objectives.

3. Socio-economic policies and components of national development plans

The New Economic Policy (NEP) adopted in the 1970s reflected the national development policy of Malaysia, namely, the adoption of the integrated social policies described in the First Outline Perspective Plan (OPP I) for the period 1971-1990, which was a long-term development plan divided into four five-year plans. The goal of NEP was the achievement of national unity, rather than the optimization of economic growth, through two strategies, namely, poverty eradication and the restructuring of society. Policies that aimed to empower the disadvantaged through targeting educational policies, enhancing higher science-based education and increasing professional employment and wealth ownership were implemented in order to contribute to the goal of national unity and assist the impoverished majority. These social policy objectives were integrated in core national development plans and policies.

³ In this context, social policies objectives and strategies also address issues of training, housing, unemployment, crime, drug addiction, family violence, ethical and community relations, children, the aged and the disabled.

The theoretical considerations underlying NEP were maintained in the National Development Policy (NDP) for the period 1991-2000 and formed the basis of the Second Outline Perspective Plan (OPP II) for the same period. The main socio-economic objective of the National Vision Policy for the period 2001-2010, which replaced NDP and incorporated the Third Outline Perspective Plan (OPP III), remained growth with equitable distribution.

The evolution of social policies in Malaysia shows clearly the lead role played by the Government, supported by the public sector, in the funding, administration and implementation of social policies in all the five-year plans of NEP and NDP. The private sector, including non-governmental organizations and the Malaysian Business Council, have played supporting roles. The activities undertaken by various actors are summarized below:

TABLE 1. EVOLUTION OF SOCIAL POLICIES IN MALAYSIA, 1957-2003

| Phase I (1957 to mid-1980s) | Phase II (Mid-1980s to 1997) | Phase III (Mid-1997 to 2003) |
|---|---|--|
| Government plays leading role in funding, administration and implementation. Private sector role is minimal. | Government plays leading role. Role of private sector increases and, to a lesser extent, involvement of non-governmental organizations. | Government strengthens public assistance to vulnerable groups affected by the financial crisis. |
| Emphasis on organizational structure for education and health services, improvements to social infrastructure in rural areas in order to improve quality of life, establishment of Social Security Organization (SOCSO), initiation of poverty eradication programmes, introduction of social safety nets such as Employees' Provident Fund, Workmen's Compensation Scheme and Armed Forces Fund. | Emergence of sophisticated and expanded middle class requiring higher quality education and health care, focused role for Government to fight extreme poverty, Government support for non-governmental organizations, introduction of Amanah Ikhtiar Malaysia initiative similar to Grameen Bank of Bangladesh, introduction of deregulation and privatization, increased role of private sector in selected social services. | Availability of social services to those in need, enhancement of regulatory functions that safeguard public interest in terms of pricing and adherence to quality and standards, safeguarding public and consumer interest during financial crisis of 1997, continuation of privatization and deregulation, tailored to meet socio-economic objectives of efficiency and productivity. |

The distinguishing features of social policies in Malaysia during this period have been continuous action over the long term in a stable and supportive environment, which has allowed social policies to develop in an orderly, cumulative manner in a cultural milieu in which pragmatism is valued. The political commitment and genuine will of the government and public sector to improve the well-being of the people has had an impact on the evolution of social policies and improvements to the quality of life.

4. *Institutional framework of social policy formulation*

The social policy formulation process in Malaysia includes a variety of political, administrative, legal and parliamentary components. Decision-making is directed by the philosophy of equitable socio-economic growth. The ministries that implement social policies participate in the social policy formulation process through the preparation of plans and annual budgets. Parliament plays a key role in the social policy formulation process. Political parties also contribute through their comments, criticisms and proposals with regard to ethnic groups that are reflected in the final articulation of social policies. Interest groups and non-governmental organizations play a similar role in ensuring that the views of special groups are included on the national social policies agenda.

(a) *Social policy formulation*

There are three types of policy, namely, those outlined, introduced or modified in the process of the formulation of national development plans and mid-term reviews of five-year plans, short-term policies reflected in annual government budgets and specific policies formulated in order to address particular social problems or concerns in detail.

(b) *Participating institutions*

Participating institutions include individuals, non-governmental organizations and interest groups, the mass media and political parties, in addition to federal public service entities, Cabinet, Parliament and the Paramount Ruler and the central agencies, namely the Treasury, Economic Planning Unit, Implementation Coordination Unit and the Department of the Prime Minister as well as technical working groups of all inter-agency planning groups entrusted with social issues. The Council of Rulers is consulted on matters affecting Islam and Malaysian culture.

(c) *Social policy implementation*

Concerned ministries and departments are guided by four sets of procedures in the implementation of social policies, namely, the objectives, strategies and programmes of individual social policies, the financial rules and regulations pertaining to each social programme, the rules and regulations concerning the purchase, installation and management of information and communications technology (ICT) equipment by concerned ministries and the approved social policies and programmes implemented by respective ministries at federal, state and district levels. At the village level there are also sub-districts. With the exception of the Ministry of Foreign Affairs, all ministries have offices at all levels and, in the case of health issues, mobile clinics exist that ensure the provision of health care to remote areas.

(d) *Social policy implementation: monitoring and coordination*

The same institutions that formulate and implement social policies conduct monitoring and coordination. However, monitoring and coordination are more technical than political and their management is entrusted to the Implementation Coordination Unit of the Prime Minister's Department, which uses the Internet-based Project Monitoring System PMS II. This has proven to be a strong motivating factor in the timely implementation of projects.

The main management technique used in monitoring and coordination is the multi-agency or multi-organization committee. At the lowest level, District Development Working Committees meet monthly in order to review the progress of project implementation, reasons for delays and steps taken to overcome delays. The State Development Working Committee coordinates projects at the country level and resolves coordination problems at district levels. The State Development Council makes decisions on coordination problems referred for its attention by the State Development Working Committee. At the federal level, meetings of the Ministry Level Development Committee in each ministry discuss the progress of development projects within each ministry and resolve coordination issues. The National Development Working Committee is informed of progress achieved in the implementation of government projects and difficulties encountered. It makes decisions on resolving problems and, in some instances, refers cases to the National Development Council, which is composed of selected ministries and chaired by the Prime Minister. The National Development Council resolves serious issues and is entrusted with poverty reduction projects and the improvement of socio-economic well-being in rural areas.

5. *Selected social programmes*

Economic growth was not pursued in Malaysia as an objective in itself. The philosophy behind government economic and social development initiatives was social harmony and the management of economic resources for the purpose of meeting human needs. Therefore, income distribution programmes were focused on the development and implementation of comprehensive projects that would deliver essential social services to the entire population, irrespective of individual income. The main objectives were the achievement and promotion of equity and improvement of the standard of living and quality of life. These objectives can be illustrated with more detailed explanations within the social parameters of education and employment.

(a) *Education*

The creation of a national educational system in Malaysia has been a gradual process. The literacy rate is one of the highest in the world at 93 per cent. The State provides eleven years of free schooling and more than 99 per cent of all six-year-olds enrolled in schools and 92 per cent of all students progress to the upper secondary

level. The Government also ensures that children with special needs have access to education. The particular needs of the visually and hearing impaired and those with learning difficulties are integrated into the mainstream school system through 283 schools equipped with teaching staff and facilities for these pupils. There are 31 schools for pupils needing higher levels of care and attention. Skills training is provided from basic to advanced levels as a matter of priority for those who are academically less inclined. Federal development expenditure on education for the period 1996-2000 represented some 56 per cent of development expenditure in the social sector or 17.7 per cent of total development expenditure.

Box 1. Selected features of the education sector in Malaysia

Main objectives of educational policy

- Enable the population to gain equitably from the benefits of development and enjoy a better quality of life;
- Expand capacity and accessibility and strengthen delivery system to improve quality of education and training.

Goals of educational policy

- Provide educational opportunities for all citizens;
- Provide skilled human resources required for sustainable development;
- Provide individuals with faith, character, knowledge, skills, peace and harmony;
- Produce loyal and united citizens.

Educational Programmes

Pre-school. Kindergartens for children aged between five and six years of age have been established by the Government, non-governmental organizations and the private sector. The Government imposes guidelines on the pre-school curriculum that focus on the standard curriculum, facilities and teacher-training requirements in order to prepare children well for their first year in school.

Primary education. Primary education begins at seven years of age and is normally completed within five to seven years. The emphasis is on acquiring strong reading and writing skills and building a solid foundation in basic sciences and mathematics.

Secondary education. The secondary school curriculum covers a wide range of subjects including arts and sciences as well as practical vocational and technical subjects. Students specialize following the third-year Lower Secondary Assessment examination, basing their choices on aptitude at the upper secondary level. At this level, several technical and vocational schools exist that provide pre-employment skills. Theoretical knowledge and practical application is integrated for further absorption of science and technical subjects. The participation rate at secondary level is approximately 85 per cent.

Box 1 (continued)

Tertiary education. Degrees, diplomas and certificates are obtained at universities, polytechnics and through distance-learning courses. Emphasis in tertiary programmes is on science and technology-based courses such as medicine, dentistry, engineering, architecture and ICT. The Government provides financial assistance to students in order to improve access to and quality of education and private sector representations are included in the governing bodies of these institutions.

Skills training institutions. Skills training institutions are governmental institutions supported by skills development funds that provide training in order to meet the demand of the industrial sector. The State provides school dropouts with financial assistance for enrolment in such training centres.

Teacher-training. The teacher-training programme is under continuous review and regularly updated by the inclusion of new courses in areas such as counselling, interpersonal skills, environmental education and the utilization of computers and multimedia in the teaching of mathematics, science and languages.

(b) *Employment*

The Government has managed and maintained a policy of high or full employment since the 1970s, in order to reduce poverty. A number of public programmes on the supply and demand side of the employment market have been initiated for the purpose of promoting employment, reducing unemployment and, in some cases, addressing labour shortages. Employment policies have been successful because of the constant process of adaptation and modification in the spheres of education and training, which has ensured that the changing needs and requirements of the economy are met with speed and efficiency. Federal training expenditure represents some 18 per cent of total social sector development expenditure.

Box 2. Employment policies in Malaysia

Main objectives of employment policies

- Reduce poverty through the achievement of high or full employment rates;
- Match education and training with the changing requirements of the labour market.

Focus of employment policy

- Maintain full employment;
- Increase labour productivity and wages;
- Meet labour demands of the economy;
- Retrain newly unemployed to join productive employment.

Box 2 (continued)

Employment strategies

Demand side strategies that aim to reduce demand for labour seek to:

- Encourage new investment in capital or technology-intensive industries;
- Discourage labour-intensive industries;
- Provide incentives for modernization and up-grading;
- Encourage national investors and entrepreneurs to outsource operations.

Supply side strategies focus on measures to:

- Enhance productivity through training, increasing motivation and linking productivity to pay;
- Ensure that education matches and meets the employment needs of the economy.

Programmes

- A comprehensive industrial training programme is provided by the Ministry of Human Resources, the Ministry of Entrepreneur Development and the Ministry of Youth and Sports, each with its own target groups and accredited private industrial training providers. The programme is strengthened by financial support and expertise from a number of industrialized countries, including France, Germany, Japan, Spain and the United Kingdom of Great Britain and Northern Ireland, and is linked to a system that determines occupational skills competency standards acceptable to industries in Malaysia.
- A programme for upgrading the skills of employed workers and retraining retrenched workers was introduced in order to further ensure the adequacy of trained labour. The Human Resources Development Fund, managed by the ministry of Human Resources, was established in order to ensure the continuity and sustainability of this programme. Industrial firms are required to contribute a percentage of their earnings to the Fund in order to ensure continuous training and skills building.
- In addition to strategies for the management of labour supply and demand, a comprehensive computerized mechanism known as the Electronic Labour Exchange was introduced in order to disseminate information on job vacancies.
- In view of the impact of exchange and currency upheavals on the employment situation, the Government initiated programmes that promote self-employment, farming and small businesses and encourage firms and industries to reduce pay, introduce shift work and part-time employment and improve labour mobility rather than dismiss workers.

6. Conclusion

The Malaysian model demonstrates that social policies can improve the welfare of society and that of targeted groups within it when given appropriate priority within

the overall development context. The fact that social policies form an integral part of overall national development plans has contributed to their success in Malaysia, as has the concept of equitable growth in line with economic growth. Moreover, the stability of the internal political system and the lack of external threats, which has obviated the need for a substantial defence budget, have contributed to the effectiveness of government policies overall. The example of Malaysia is of particular interest to the ESCWA region as it demonstrates the ways in which a plural society has been able to face numerous social challenges in its development efforts.

C. NORWAY

The social policy experience of Norway is highly effective as it is carefully planned, includes all concerned groups in the policy-making process and assumes patience with respect to the development programme.⁴

1. *Main criteria for the success of social policies*

The success of social policies in Norway can be attributed to a number of factors, including the prevalence of a comparatively egalitarian system not based on feudal classes, State funding of a welfare system that relies heavily on taxation, an underlying work approach model according to which all have a right and duty to work, a guarantee of full employment for all citizens with maximum use of their skills, preference for investment in people and communities rather than economic transfers and emphasis on investment in human capital through education and skills development.

2. *Social protection*

According to the Norwegian model, an effective social policies system must provide security for those unable to work for health or other reasons. Moreover, individual rights cannot be exclusively tied to cash benefits since each individual has a right and duty to work, participate in rehabilitation programmes or enter education. Therefore, social insurance schemes are designed to make the work approach the first choice for all participants. The activation measures launched within the context of the work approach enable, encourage or oblige citizens to be active recipients of benefits.

The extent and coverage of benefits is reviewed on a regular basis at local and central government levels and updated in view of changing priorities. The most recent review of social protection in Norway indicates that the main emphasis is on disability benefits, medical or vocational rehabilitation allowance and services, sickness benefits, social assistance mainly to youth and marginalized persons, active labour

⁴ The connotation of social policy in Norway is narrower than welfare policy and has been based on curbing unemployment, providing temporary social security for those unable to work for health reasons.

markets programmes mainly for new immigrants, unemployment benefits and, also, transition benefits for single parents.

3. Conclusion

Social policy in Norway is based on the work approach model, introduced in 1991. The objective of full employment is pursued through a focus on incentives to work and the development of skills among the unemployed. The changes introduced since 1991 reflect a committed political will to alter the profile of the programme through emphasis on the obligations of citizens to contribute. The application of social policies is based on a selective approach that focuses on groups in need, rather than a universal approach. The main indicators of success are labour force participation and productivity. The labour force participation rate in Norway is approximately 73.3 per cent of the total population. Norway also has a high score with regard to labour productivity, the employability of graduates and returns on investments in education.

D. THE REPUBLIC OF KOREA

1. Introduction

The economic crisis of 1997-1998 obliged the Republic of Korea to enforce labour market reforms allowing firms to lay off workers. Since that time, the country has pursued structural reform and, in early 2002, recovered in economic and social terms. The active social policy initiatives undertaken targeted the provision of social protection to the unemployed and those who had fallen into poverty during the course of economic restructuring.

Prior to the economic crisis, the official social policy initiative was represented in the notion of the productive welfare state, which embraced the Public Assistance Programme (PAP), the National Pension Programme (NPP) and National Health Insurance (NHI). The Minimum Living Standard Guarantee (MLSG) replaced PAP in 2000 and recognizes the social rights of citizens to a decent standard of living.

TABLE 2. THE WELFARE STATE IN THE REPUBLIC OF KOREA:
SOCIAL POLICIES, 1961-2000

| Year | Measures | Challenges |
|------|-------------------------------|---|
| 1961 | Industrial Accident Insurance | First social welfare programme introduced by the Government in order to pool risk and reduce financial uncertainty for employers and encourage export-oriented industrialization. Cover excluded employees of small and medium-sized firms. Industrial insurance laws enforced, but not funded, by the State. |

TABLE 2 (*continued*)

| Year | Measures | Challenges |
|-----------|---|---|
| 1964-1965 | PAP NPP | These welfare programmes achieved their goals, but in an authoritarian political context in which social policies were used as instruments for attainment of economic growth goals. Only high-income earners were covered and obtained the lion's share of the economic surplus. Social policy decisions were confined to a small number of policy makers, excluding most citizens. Institutional arrangements that would ensure accountability and transparency in the governance of welfare programmes were lacking. Within the welfare system, the social safety net available to the unemployed was nominal and they were obliged to rely on savings or private assistance. |
| 1977 | NHI | First introduced to cover large-scale companies, extended in 1989 to cover all formal sector employees. Caused intense political debate on inclusion of the unemployed. |
| 1995 | Employment Insurance Programme (EIP) Public Work Projects (PWPs) | During the economic crisis, coverage of EIP and PWP was extended in order to respond to the social consequences of structural adjustment and rising unemployment rates. |
| 1999 | Productive Welfare Initiative | This initiative recognized the social rights of every citizen to a decent standard of living. The State assumed responsibility for delivery of this right as a goal. |
| 1998 | Master Plan for Tackling Unemployment | An inter-ministerial committee chaired by the Prime Minister was set up in order to tackle unemployment. The eligibility requirements of EIP were extended to include all unemployed persons. |
| 2000 | Minimum Living Standard Guarantee (MLSG) | This guarantee aims to provide a living standard equal to the relative poverty line and automatically provides benefits to persons aged 18-65, should their income fall below the poverty line. |

2. *Public Work Projects*

The PWPs introduced in 1995 targeted those who were beyond the reach of EIP and PAP. Initially, PWPs were entirely financed by cuts in the salaries of public

employees but in 1998, 10 per cent of financing was provided by central government and 30 per cent by local government. The projects were distributed between four main categories of work, namely, infrastructure maintenance projects, including forest cultivation, building small public facilities and repairing public utilities, projects providing labour to social services, charity organizations and welfare institutions, environmental cleaning projects and projects related to information technology involving mainly young and computer-literate persons.

The selection process gave preference to applicants who were the main breadwinners in their families, aged 30-50 or disabled. Recipients of unemployment benefits, pensioners covered by NPP and persons whose sponsors were earning were not covered. The Ministry of Labour compiled a database on eligible workers as PWPs were based on three-month cycles, and workers were required to resubmit applications for work every three months.

3. Minimum Living Standard Guarantee

In 2000, MLSG was introduced in response to a gap in the institutional social process. In 1997, approximately 3.1 per cent of the population was receiving cash benefits from PAP, the value of which was estimated at half of the official poverty line in absolute terms. Persons aged 18-65, considered capable of earning, and were excluded from PAP. The introduction of MLSG signalled a shift in approach as it changed the concept of poverty from an absolute to a relative concept and moved the poverty line significantly upward. In addition, the level of benefits increased because MLSG guaranteed a living standard equal to the relative poverty line. Moreover, MLSG introduced participation in job training programmes, PWPs or community services for persons aged 18-65.

4. National Pension Programme and National Health Insurance reforms

Reform of NPP was discussed prior to the economic crisis of 1997-1998. The debate centred on issues such as the high rate of return in comparison with past projections of crises in economic growth, risks to the National Pension Fund (NPF) posed by individual lifecycles projections and the position of NPF as an average investor in the money market. These concerns led to reform of NPP at three levels. The level of pensions was reduced, in order to secure the future flow and continuity of funds. The programme was extended to cover the self-employed, farmers and urban workers in the informal sector. A steering committee composed of policy experts, business and trades unions representatives and non-governmental organizations as well as government representatives was established in 1998, for the purpose of advising the ministers of Finance and Economy and Health and Social Welfare on investment decisions. Although the option of privatization was raised during the course of the debate, it is significant that this option was disregarded.

The intense political debate that raged for 25 years over health insurance resulted, in 2003, in the consolidation of disparate funds into a single NHI fund. First introduced in 1977, NHI was a developmental welfare programme covering only large-scale companies with more than 500 employees. Cover was extended in 1978 to include public sector workers and schoolteachers. The State played a regulatory role and did not contribute to the fund. Cover was subsequently extended in 1989 to include salaried employees and wage earners employed in smaller companies. Employers and employees each contributed 50 per cent of the premium, which, in 1980, represented on average 1.9 per cent of pay and rose to 2.62 percent in 1999.

As of 1988, all citizens were covered by NHI and the NHI corporation was assigned to manage the fund and administer the insurance process.

5. Conclusion

The social policy response of the Republic of Korea is of interest to the ESCWA region on a number of grounds. The active social policy initiatives undertaken by the Republic of Korea in response to the challenges posed by structural adjustment, economic crises and export-oriented economic expansion appear to have been successful. Social stability, cohesion and security have been guaranteed through expanded health coverage, pension and minimum standard legislation. The Republic of Korea has been able to create a broad-based social and political consensus through the democratization process with the involvement of major political parties, organizations and business as well as labour representatives and Government. The current Government is advocating a productive welfare policy that places emphasis on social policies as a means of achieving economic competitiveness and as a social right for every citizen. However, the task ahead is to maintain the enhanced social inclusiveness of the welfare state and balanced development credentials. Transparency and accountability in the reform of various social development institutions should increase efficiency and maintain political support for this successful approach to social policy.

E. TUNISIA

1. Introduction

Since gaining independence in 1956, Tunisia has adopted a model of socio-economic development that strikes a balance between economic liberalization and social interaction and integrates the social and economic aspects of development. In 1995, Tunisia was the first of the southern Mediterranean countries to sign an association agreement with the European Union and, in 1996, started to implement programmes for the rehabilitation of industrial and services institutions in order to enable them to confront the challenges posed by economic liberalization and globalization.

As part of the package of economic reforms aimed at stimulating the growth process, supporting investment and stabilizing balances at the macro level, the Government has implemented a number of structural reforms aimed at reducing its support of the economy. In parallel to those reforms, the Government has put forward measures for the maintenance of living standards and social cohesion and limitation, to the extent possible, of the damage caused by economic liberalization policies. The concern of the State with regard to the social dimension is evident in its strengthening of the currency, raising incomes and social coverage, poverty eradication programmes and rural development programmes.

During the past decade, these reform measures have yielded fruit. There has been a palpable improvement with regard to competitiveness and human development indicators. Annual income per capita has increased and the poverty rate has been reduced. Average life expectancy at birth has increased and the mortality rate at birth has fallen. There has been an increase in the education and school enrolment rate. The annual overall growth rate during the period 1962-2000 reached 5 per cent, raising income per capita by 3 per cent. The proportion of the population living below the poverty line was reduced from 11.8 per cent in 1995 to 4.2 per cent in 2000. In that same year, 95 per cent of families were served by electricity, the school enrolment rate was 92 per cent and the adolescent education rate 73 per cent. In 2003, the house ownership rate was approximately 80 per cent and the population growth rate fell to 1.12 per cent. The statistics for 2003 indicate that the participation rate of women in higher education was 51 per cent and 40 per cent in scientific establishments, 66 per cent in pharmacology, 50 per cent in the education system, 40 per cent in the civil service, 33 per cent in the medical corps and 25 per cent in the judiciary.

2. The colonial era (1881-1956)

During the first five decades of the colonial era in Tunisia, intervention by the State in the spheres of health, housing and education was on an improvised basis and its response to the needs of the population based on a racially selective model. For the colonial administration, the objective of social intervention was to create a national professional elite that would assist in perpetuating the occupation and exploitation of natural and human resources. The colonial administration created the Public Institution for Health, Prevention and Combating Epidemics in view of the health and demographic situation, which was not conducive to long-term economic exploitation. Prior to colonial rule, the educational system was entirely focused on religion and scripture. In 1883, the General Administration for Modern Education was established in order to create a national elite and compensate for the numerical lack among the ranks of the Europeans. From 1897, the colonial administration implemented a housing policy that sought to improve living conditions of the popular classes. At that time, a mere 10-15 per cent of the population had sanitary accommodation and one million Tunisians, one third of the population, lived in rudimentary housing that lacked drinking water, gas, electricity and blankets.

During the second phase of colonial rule, from 1930-1956, the colonial administration adopted an “equal opportunities” policy for foreigners and the indigenous population, because of economic and social developments on the one hand and the rise in social movements and increasing pressure being exerted by union movements on the other hand. During this phase, social policies assumed an ideological and political form that can be summarized as follows:

(a) Attribution of political and doctrinal sense to the colonial presence through the invocation of legal theories legitimizing colonialism;

(b) Promotion through political discourse of the idea of the involvement of the indigenous population in the process of socio-economic construction, the attempt to achieve equality between individuals, ethnic and other population groups and redistribution of resources;

(c) Government intervention in social affairs through the reorganization of the political, administrative and financial situation, the establishment of ministries of health, labour and social provision and the establishment of a body for reconstruction and housing.

The Tunisian elite was satisfied with the ideological content of the social model and the associated legal and administrative methods.

3. *The nation State (1956-)*

The social policy models applied by the independent State since 1956 have been linked to economic development models that have varied with the economic creeds pursued in the changing international context although some fundamental elements of social policy have remained constant. The four major phases through which development policy has passed since independence are described below.

Social policy during the phase 1956-1969 was characterized by mutual assistance and central planning based on social models that sought to achieve equal opportunities and promote collective welfare. During this period, the State accumulated capital as part of a comprehensive socialist model of development and sought to mobilize resources intensively from 1962-1969, in order to equip the social and economic infrastructure for industrialization. At the same time, emphasis was placed on the formation of human capital and the modernization of society. Health, education and the emancipation of women formed the strategic horizons of the independent State. The most significant steps towards modernization during this period were the definition of the meaning of social policy, secularization of social and political life, the slogan “Man is the core of the economic endeavour”. The consequences of these steps were the achievement of social justice and the construction of a balanced and harmonious society, assertion of the right of all to health care, education, housing and work, introduction of a State social security

system covering all workers, establishment of workshops to combat unemployment and reorganization of the education system based on the French model.

From 1970-1986 after the failure of the central planning model, Tunisia embarked upon an open market policy that led to the promotion of private investments and intensification of exchanges with foreign countries. This phase was characterized by the reorganization and reform of existent systems and the replacement of the public sector by the private sector as the driving force for growth. State resources increased with the rise in growth. The number of employment opportunities tripled and per capita income increased by 50 per cent in real terms. Greater scope was available for multi-purpose productive investments for the labour force. The role of the private sector expanded as a result of Government policy to encourage exports and create employment opportunities. The State assumed the role of caretaker of the growth of private exchanges and coordination of numerous legislations and mechanisms, offering financial support to investment projects for exports and employment and the Government applied a policy of subsidization of basic consumer goods prices. Social policy centred on the expansion of salaried employment and self-employment, local development and, in particular, rural development and poverty eradication.

From 1987 to date, Tunisia has sought to address its economic crisis through structural adjustment and pursuit of a targeting needs policy. In collaboration with the International Monetary Fund and the World Bank, Tunisia set in place an economic restructuring programme and defined a socio-economic strategy for the period 1987-1991. This strategy required correction of the currency situation, reduction of the volume of domestic demand and linkage of pay and productivity increases. It also required liberalization of the Tunisian economy through the dismantling of the existent government production apparatus, removal of protection in order to enhance the competitiveness of institutions, gradual liberalization of imports and reduction of customs duties, privatization of the public sector and fiscal system reform. Moreover, the strategy required the reformulation of social policy through emphasis on the provision of assistance to the groups in greatest need, review of consumer goods subsidies and ensuring the participation of citizens in social spending.

After signing an association agreement with the European Union in 1995 concerning accession to the Free Trade Zone in 2008, Tunisia entered a new phase of socio-economic development that aims to enhance national capacities to confront the requirements of economic openness and liberalism through non-material, material, priority technological and environmental protection investments. Non-material investments include diagnostic studies, obtaining certification, marketing and technical assistance. Material investments include laboratories and assistance for financial restructuring. Priority technological investments provide incentives to industrial institutions and the associated services institutions. The Rehabilitation 2000 programme is worth US\$ 2.5 billion and targets industrial and service institutions. The State provides 10-20 per cent of that sum and private funding and bank credits provide the remainder. The most significant steps at the social level include the

rehabilitation and enhancement of human resources, establishment in 1990 of the Ministry of Vocational Training and Employment, reform of the education system and promulgation of the law on vocational training (development of aptitudes and skills for the benefit of institutions in cooperation with the professional associations and according to the needs of the economy).

4. *Change in the sphere of social policies*

Against this historical background, social policies have undergone change in four key areas. The role of the State and its function in society has been transformed. The role of the State in the development sphere has been reduced and assistance programmes cut back while the system of social funding, which includes the provision of free health care and education and subsidization of basic consumer goods, has remained. This section examines developments in social policies with regard to housing, population, advancement of women and labour.

(a) *Housing*

During the central planning phase 1956-1969, government policy was focused on improving the living conditions of the popular classes. The National Fund for Housing Improvement, the Workers' Cooperative Housing Association and the Tunisian Real Estate Association were established in 1956 for the purpose of achieving this objective but their success was limited. Only a small number of people moved in to new dwellings and slum areas remained as they were.

Policies during the period 1969-1988 were characterized by economic planning with State support combined with an increase in economic liberalism and growing distance from the former policy of mutual assistance. New institutions were established in order to confront growing housing demand, reorient economic policy and develop the government apparatus. These institutions included the Housing Estate Agency, established in 1973 for the acquisition of lands, the National Housing Reserves Fund, also established in 1973 for the purpose of accumulating reserves and granting loans and assistance and the Employees' Housing Restoration Fund, established in 1977 for the purpose of granting loans to employees.

From 1988 to date, the role of the State has continued to diminish while economic liberalism has increased. A special government panel was formed for the purpose of formulating new housing policies that would meet the targets of reform programmes and be appropriate for the reality of the housing sector. Housing strategy during this phase has focused on two targets, namely, the procurement of 100 square kilometres of land suitable for the construction of social housing for those on limited incomes, the rehabilitation of popular districts and the establishment of the National Solidarity Fund for those not covered by the regular programmes and projects of the State and, also, local groups.

(b) *Population*

Tunisia has pursued an exemplary population policy that has contributed to controlling population growth. During the period 1956-1969, the objective of population policy was to reduce the fertility rate through the introduction of a number of laws and reforms that aimed to grant women rights as productive citizens and facilitate their participation in training on private and public decision-making. These laws and reforms included the Personal Status Law of 1956, which prohibits polygamy, the Education System Reform of 1958 and the Tunisian Constitution of 1959, which enshrines the principle of equality between men and women. During the 1970s, the National Bureau for the Family and Population and the Supreme Council for Population were established. In the early 1980s, primary education became compulsory for children until the age of 11 years. During the same decade, the Ministry of Women and Family Affairs, the National Council for Women and the Family, the National Committee for Women and Development and the Center for Research, Studies, Documentation and Information on Women were established.

Two fundamental lessons can be derived from analysis of the Tunisian experience in the sphere of population policy, namely that although birth control programmes contribute to reduction of the fertility rate, the key factor in its reduction has been increasing age at marriage. Moreover, the key to success in reduction of the fertility rate and, consequently, control of population growth, is political will.

(c) *The liberation and advancement of women*

The advancement of women and support for their position in society is a pivotal factor, a constant principle and a pillar of social development policy in Tunisia. Consensus exists across the social spectrum in Tunisia with regard to the rights of women. The principle of equality before the law is enshrined in the Personal Status Law of 1956 and the Tunisian Constitution of 1959. Amendments were introduced to the Personal Status Law that accorded women new rights with regard to individual freedom and raising children.

A number of structures and institutions that support the advancement of women have been established, notably, the Ministry of Women and Family Affairs, the National Council for Women and the Family, the National Committee for Women and Development and the Center for Research, Studies, Documentation and Information on Women. These were established in order to facilitate the integration of women in the development process and strengthen their participation in decision-making. Moreover, the strategy for the inclusion of gender issues in the planning process seeks to achieve equality between the sexes.

(d) *Labour and poverty*

The question of employment and vocational training has occupied a central position in development policy since 1990 and remains at the top of the list of national

priorities. A comprehensive poverty eradication policy has been adopted in order to address the geographic, social and economic aspects of poverty. This policy identifies and targets the geographic areas most exposed to poverty, takes into consideration the situation of families and family members in the measurement of poverty and attempts to ensure sources of income and encourage employment and training.

The main aim with regard to the institutional identification of poverty, introduction of new mechanisms for social advancement and eradication of poverty is to investigate new sources of financing for poverty eradication programmes. The National Solidarity Fund, the National Employment Fund and the Tunisian Solidarity Bank were established in order to achieve this aim. The objective of the National Solidarity Fund is to reintegrate the target population in the economic and social milieu in the areas concerned and at the national level while that of the National Employment Fund is to support the existent mechanisms, improve youth employment opportunities and monitor employment opportunities in different sectors of the economy. The Tunisian Solidarity Bank provides financing for social advancement through promoting self-employment and development of entrepreneurial, as well as financing projects that benefit the residents of urban and rural areas.

5. Social policies: preparatory and coordination mechanisms

The socio-economic development plan in Tunisia is the primary instrument for social policy planning and coordination. The institutional framework has, gradually, assumed the form of economic liberalism and the planning process has come to be based on market requirements. This change has taken place in the context of a global economy characterized, in theory, by a thrusting return neo-liberalism and, in fact, by the increasingly broad liberalization of exchanges and opening of borders. During the 1990s, Tunisia pursued an economic liberalization policy whereby development plans were formulated in four phases, namely, evaluation of the outcomes of the previous plan, technical preparation, consultation and decision-making.

The bodies concerned with social policy planning and implementation are the Economic and Social Council, which studies socio-economic issues and advises on matters that could be the subject of legislative or regulatory documents, the Ministry for Social Affairs, which plays a central role in the formulation and application of Government social policies with particular regard to labour, social security, employment, social development and social protection and the Ministry of Vocational Training and Employment, which aims to achieve advancement through employment and bring unemployment under control.

6. The challenges of globalization

Tunisia has achieved outstanding socio-economic results through the pursuit of a long-term policy that aims to generate resources, redistribute wealth and make significant investment in the development of human resources. In its negotiations with

international financial institutions, Tunisia, as a developing country, has achieved the guarantee of some freedom of action. This has ensured that it maintains independence in local decision-making in the interest of national balances and social cohesion. In part, the success of the Tunisian model can be attributed to the reform process and its continuity over a period of time. Tunisia has now entered a new phase of development, which will require adequate performance, competitiveness and quality. Its successful integration into the global economy will depend upon its ability to confront the challenges of competition, strengthen social cohesion and pursue development in a manner that will ensure the equitable distribution of the fruits of growth among its citizens.

7. Conclusion

Tunisia is no different from other Arab countries in that it suffers from socioeconomic problems that the Government seeks to mitigate or overcome. However, Tunisia has made great strides in the sphere of social advancement and social progress. Since 1956, Tunisia has preceded all other Arab countries with regard to the steps taken in order to liberate women and advance their role in society. The legislation enshrined in the Tunisian Constitution and the Personal Status Law concerning the rights of women and their equality with men before the law represented a major step forward. In addition, the importance attributed to policies addressing poverty, unemployment and social marginalization and measures taken in these spheres have brought Tunisia far along the road to tackling social problems. Moreover, Tunisia has been obliged to respond to some of the conditions of the World Bank with regard to the privatization of the public sector and restructuring of the economy, as have other Arab countries. However, Tunisia has sought to ensure that these measures are monitored and controlled by the State and that they do not infringe upon the independence and sovereignty of the country.

II. GUIDELINES FOR THE FORMULATION OF SOCIAL POLICIES IN THE ESCWA REGION

A. INTRODUCTION

One basic connection between economic and social development is improvement of the material well-being and living conditions of people through productive endeavours. Social policies deal with the equitable distribution of the benefits and disadvantages associated with macroeconomic growth. In the ESCWA region, the social issues of concern include change in the prevalence of poverty, polarization of income distribution, persistently high unemployment and underemployment rates, increases in the cost of living relative to income for the majority of the population, deteriorating living conditions and anti-competitive practices. A central objective with regard to these issues is intervention in the cycle of poverty and alleviation of its consequences. Any weakness in the implementation of social policies contributes to the prevalence and intensity of poverty, whether directly or indirectly. By the same token, any strategies recommended for strengthening institutional capacities to deal with social policies and address current social problems could also be viewed as measures for poverty alleviation.

A number of obstacles arise in the attempt to project the successful experiences of the selected countries onto the ESCWA region. Such obstacles need to be overcome in order to formulate and implement social policies that could benefit the region. Approaches to change should be consistent with the commitments included in the Copenhagen Declaration and Programme of Action that followed the World Summit for Social Development in 1995, of which the most relevant are the eradication of absolute poverty, support of full employment as a basic policy goal, promotion of social integration based on the enhancement and protection of all human rights, achievement of equity between men and women, ensuring that structural adjustment programmes include social development goals, increasing resources allocated to social development, creating an economic, political, social, cultural, and legal environment that will enable people to achieve social development and attaining universal and equitable access to education and primary health care.

The ways in which ESCWA member countries can benefit from the experiences of the five countries reviewed in chapter I in the planning and implementation of their social policies are discussed in section B of the present chapter. In view of the fact that the historical and cultural specificity of each country is unique and the resultant social institutions necessary for the implementation of social policy cannot be simply transposed onto another country, the present section of this chapter first seeks to extrapolate the common elements of the experiences of those five countries that have contributed to the effectiveness and success of their social policies.

TABLE 3. MAIN ELEMENTS OF SUCCESS IN THE IMPLEMENTATION OF SOCIAL POLICIES IN SELECTED COUNTRIES

| Country/model | Main elements or indicator of success | Main tool | Initiation dates |
|---|---|--|---|
| Canada Welfare model | Heavy investment in health, education and retraining that absorbs a substantial and growing portion of public expenditure | High social security for all, in particular women and the unemployed | Late 1960s. |
| Malaysia Social investment model | Eradication of poverty and restructuring of society | Involvement of all parties in decision-making with social emphasis | 1957 to mid-1980s. Government leading role in funding, administration and implementation. Mid-1980s to 1997. Increasing role of private sector and involvement of non-governmental organizations. Mid-1997 to 2003. Availability of social services to the poor. |
| Norway Productivity approach model | High labour force participation and productivity | Education and upgrading of skills | 1945-1957. Initiation of welfare state. 1958-70. Universal social protection. 1970-90. Unlimited growth. 1990-2004. Targeted activities. |
| Republic of Korea Totalitarian economic investment model | Economic growth and industrialization as driving force behind development. Social policies neglected prior to mid-1990s | Heavy investments in skills development parallel to the level of industrialization | 1962-1980. Emphasis on economic growth. 1980-1995. Introduction of selected welfare policies. 1996-2004. Strengthening social policies. |
| Tunisia Good governance adaptive model | Adoption of economic reform policies and openness to Europe strongly supported by social policies to alleviate burden on the poor | Wise planning of social and economic policies in tandem | 1970. Economy opened. 1987. Economic reforms with strong social component. |

The main social and political institutional requirements necessary for ensuring the success of social policies range from proper coordination among the various ministries dealing with social issues, including health, labour, education, planning, women, vulnerable groups and youth, to fair judicial practices and egalitarian fiscal systems. In this regard, the case of Malaysia is exemplary. Full employment is also a basic requirement, although not easy to achieve in view of the spread of ICT and new technologies. However, the social value of increasing productivity is the driving force behind the economic success of social policies. The experiences of Malaysia, Norway and the Republic of Korea have shown that long-term benefits can be gained when emphasis is placed on improving labour force productivity through active labour force policies. Transparency in the decision-making process and the involvement of various segments of society including women, the poor and civil society is an important requirement. With the exception of the Republic of Korea, all countries reviewed in chapter I demonstrated high levels of transparency and involvement. Moreover, the experience of these countries shows that a stable and supportive environment has facilitated the pursuit of a continuous course of action over a long period of time and, consequently, permitted the orderly and accumulative development of social policies. These factors, in addition to the absence of natural disasters, wars and conflicts, internal strife and extreme ideologies, have contributed to an overall commitment to the enhancement of social policy objectives, including improving the quality of life.

B. REQUIREMENTS FOR EFFECTIVE SOCIAL POLICIES

The position of each country with respect to the requirements described above is summarized in table 4. With the exception of the Republic of Korea, these requirements are high on the agenda of all countries reviewed. The Republic of Korea differs in that the driving force behind its growth was heavy industrialization and due attention was not paid to social policies. The economic growth achieved as a result of high labour force productivity during the 1960s and 1970s ensured rapid development for all.

TABLE 4. REQUIREMENTS FOR THE EFFECTIVE IMPLEMENTATION OF SOCIAL POLICIES: SELECTED COUNTRY POSITIONS

| Requirement | Canada | Malaysia | Norway | Republic of Korea | Tunisia |
|--|---------------|---------------|----------|--------------------------|----------------------------------|
| Proper coordination among concerned ministries | Priority | Priority | Priority | None ^{a/} | High priority |
| Transparency in governance and public accountability | High priority | Priority | Priority | High priority since 1999 | Priority |
| Egalitarian fiscal system | High priority | High priority | Priority | Low priority | High priority since independence |
| Decentralized decision-making | Priority | Priority | Priority | High priority since 1995 | High priority |

TABLE 4 (*continued*)

| Requirement | Canada | Malaysia | Norway | Republic of Korea | Tunisia |
|---|-------------------------------|---------------|---------------|--------------------------|--------------------------|
| Active civil society involvement in policy dialogue | High priority since mid-1990s | Priority | Priority | High priority since 1999 | High priority |
| Full employment | Medium priority | High priority | High priority | High priority since 1995 | High priority since 1970 |
| Gender equality | High priority | .. | Priority | .. | High priority |
| Political stability | Highly stable | Highly stable | Highly stable | Tension with North Korea | Highly stable |
| Preparedness for globalization | Priority | Priority | Priority | Priority | Priority |

Notes: Two dots (..) indicate that data are not available.

a/ The authoritarian system of governance could be described as resembling that in some countries of the ESCWA region.

In order to derive the maximum benefit from the successful experiences of other countries and ensure the effectiveness of their own social policies, Governments of ESCWA member countries would do well to consider a number of specific issues and possible constraints that could be encountered in the implementation of such policies. For some countries, the process of change involved in the implementation of effective social policies could induce a sense of insecurity whereas for others the process is anticipated and welcomed. Countries that delay adaptation to change develop all kinds of structural and institutional problems, which are also reflected at social and individual levels in terms of attitudes and behaviour.

1. Proper coordination among concerned ministries

The relationship between development of the economy, society and governance of a society are affected by intricate, intertwined influences. Progress in any one area is dependent upon progress in the others. Therefore, the role of Government in the achievement of social development at the national level is to ensure the involvement, coordination and cooperation of ministries and agencies at all levels. Effective working conditions need to be properly structured in terms of specialization, roles and responsibilities defined clearly within an institutionalized legal framework so that they remain independent of personal influence. It is essential to ensure that governance is by laws, rather than persons. Moreover, public support for policies and actions can be gained through clear explanation, open debate and the equitable distribution of benefits derived. Policies should be envisioned as dynamic processes that can adapt to new knowledge and techniques and respond to changing global and regional conditions.

The structure of authority with regard to social policies in Malaysia provides a valuable and relevant example for the ESCWA region. At the highest level, the National Development Council, composed of all ministries that deal with social issues and chaired by the Prime Minister, is entrusted with the improvement of the socio-economic well-being of the population. Authority is distributed downward through a number of committees at the national, federal, state and district levels that meet regularly to coordinate and review the implementation of projects and solve related problems. These bodies are regularly monitored and supervised by the Monitoring and Coordination Committee, which is managed directly by the Prime Minister. The decentralization of the decision-making process in Canada is also of relevance to the ESCWA region. The role of the federalist system of the Canadian national Government in key areas of social policy, namely, health and education, has been to participate in the design of systems and use federal-provincial transfers in order to induce the provinces to create, in effect, a national system.

In order to enhance the implementation of social policies at the decision-making level in the ESCWA region, it is necessary to ensure the following:

(a) Cooperation among ministries and agencies responsible for the different aspects of social policies, including education, health, housing, environment and social protection;

(b) Limitation of the role of ministries and government agencies, elimination of overlaps in function and streamlining of relationships between ministries and agencies in a rational and effective manner;

(c) Awareness of the importance of even, equitable development and recognition that economic growth is sustained only through parallel progress in social spheres;

(d) Ability to mobilize the necessary resources for social progress, beyond education and health, including social assistance for vulnerable population groups.

2. Transparency in governance, public accountability and civil service reform

Corruption is known to cause severe damage to economic and social development and results in inefficiency and abuse of the public. Corruption occurs when those vested with official authority and power exploit their position for the purpose of personal gain, or gain for their family or social group. Corruption can be discouraged through strengthening the accountability of public policies, linking wages to productivity in government jobs and increasing transparency with regard to the implementation of political commitments. Shortcomings in institutions and organizations as well as the behaviour of political figures can be ascribed, for the most part, to favouritism, nepotism and failure to enforce professional norms and standards of impartiality.

In the ESCWA region, civil service reform is a matter of the highest priority. Meaningful reform involves fundamental, bold and creative change and only political institutions that are secure, in terms of public support, are capable of undertaking such reform. In view of prevailing public attitudes with regard to government bureaucracies, genuine reform leading to the creation of a lean civil service without redundancy or corruption, that is efficient in its management of public affairs, oriented toward service and problem-solving rather than bureaucracy and complication and that is respectful of citizens and responsive to their needs could gather wide support.

In order to achieve greater transparency and accountability in the sphere of social policies in ESCWA member countries, policy design and implementation should include the following:

(a) Enactment and rigorous enforcement of strict anti-corruption rules including the imposition of severe penalties on those involved in any aspect of corruption;

(b) Fair application of a system of rewards and sanctions based on universal criteria, free of the influence of nepotism and favouritism.

3. Egalitarian fiscal systems

With the exception of the Republic of Korea, the financing and support of social policies in all countries reviewed in chapter I is dependent upon a strong legal and fiscal system. The Governments of Canada and Norway use taxation as a powerful tool for the redistribution of wealth and reinforcement of social cohesion. Different countries have evolved a variety of measures to address taxation issues. Such measures could be adapted to the social situation in individual countries of the ESCWA region or strengthened, in cases where they are already existent. The necessary laws should be enacted and, in cases where such legislation exists, effectively enforced with the imposition of strict sanctions on deviant business practices, price fixing, quality standards and other regulatory matters required in order to ensure fairness in the market and protect consumers.

Egalitarian fiscal systems that provide effective support to social policies in ESCWA member countries could be achieved through the following measures:

(a) Strengthening the taxation system in order to improve compliance and design and introduction of banded income tax for individuals and businesses with distributive justice in mind;

(b) Updating labour laws on a sound economic basis that allows for collective bargaining and takes into account the right to strike, so introducing greater balance in the power relationship between workers and management;

(c) Paying serious attention to updating laws setting minimum wages, as warranted by changes in economic conditions;

(d) Providing support and encouragement through training, facilitation of access to resources and marketing to individual enterprises in the informal sector and protecting them against extortion and petty corruption.

4. *Decentralized decision-making and the active involvement of civil society in policy dialogue*

In a vibrant civil society, civil society organizations countervail the power of government and become part of a system of checks and balances. The importance of the role played by non-governmental organizations in designing, monitoring and ensuring the success of social policies cannot be overstated. Therefore, their formation should be encouraged and their activities facilitated. However, unregulated organizations have the potential to cause harm to society. Therefore, it is important for policy makers to pay attention to the behaviour of organizations and professions, whether governmental or non-governmental, and seek to strike a balance that maintains healthy, dynamic organizations capable of serving the public interest.

The experience of the five countries reviewed in chapter I indicates that non-governmental organizations have played a significant role in social policy outreach to neglected rural populations. The role that they play in the imposition of checks and balances for the regulation of social policies has expanded with time to include criteria and means of implementation, supervision, evaluation and even, through national media, application of critical pressure reflecting the voices of recipients. In Canada, for example, a large network of non-governmental organizations, voluntary associations, charities, churches and community groups deliver a wide range of social programmes and services, recently estimated to have reached 175,000 in number employing 9 per cent of the labour force with annual budgets worth more than US\$ 40 billion. This network is supported by another network of national voluntary organizations that are key partners of Government with regard to health services and play an important role in empowering local non-governmental organizations. In Malaysia, non-governmental organizations and interest groups are encouraged to express their views on social policies to the Government through political parties and the media. Moreover, the views of opposition political parties are taken into consideration by the Government and lead to the adoption and implementation of alternative social programmes.

The following are suggested parameters that would bring the environment in which such organizations operate in ESCWA member countries and their regulatory statutes into line with those found in open societies:

(a) The public should have full freedom to form non-governmental organizations. Clear, efficient processes and applications should explain the purposes and modes of governance and expected sources of financial support;

(b) The activities of non-governmental organizations should allow grass-roots organizations to take the initiatives that they deem necessary to the advancement of their purposes;

(c) Modes of governance should allow for periodic changes in order to avoid manipulation of power;

(d) The private sector and civil society organizations should assume a more prominent role in the establishment and operation of social protection systems. Although government regulation of such activities would remain essential, public-private synergies would increase efficiency;

(e) Efforts should be made to avoid duplication of responsibilities among the various non-governmental organizations upon registration. Ministries should set and enforce standards for activities conducted within their domains, such that a non-governmental organization operating a health care facility or family planning programme, for example, should follow standards set by the Ministry of Health.

5. Full, productive employment

In all five countries reviewed in chapter I, labour market policies have constituted a major part of social policies and their main objective has been to increase labour force productivity. Employment policies have concentrated on the rapid and continuous creation of new jobs, supported by active labour market policies that aim to prepare new entrants into the labour force through the acquisition of the skills required for the new jobs. In Malaysia, for example, the central aim of the national employment policy has been to maintain full employment while increasing labour productivity and wages. Strategies have focused on the demand and supply side of the employment market. Strategies that would reduce demand for unskilled and semi-skilled labour were conceived in response to the strained labour market situation in the early 1990s. Small and medium-sized industries were provided with incentives to modernize and upgrade their modes of production while new investments in capital and technology-intensive industries were encouraged. Moreover, local investors were encouraged to locate their operations in neighbouring countries in order to take advantage of abundant and cheap labour there. In Norway, social policies have been based on the work approach model, centred on the premise of full employment, in which the key factor is investment in human capital in the form of education and development of skills. Active labour markets programmes funded by the Government and administered by regional labour market administrations target the young, new immigrants and the unemployed in order to ensure that the maximum number of jobseekers is available for regular employment.

Reduction of the work force and the elimination of redundancy would form a politically sensitive but necessary part of the structural reform of the public and semi-public sectors in the ESCWA region. In the short term, reform would be costly but, if

implemented effectively, would yield considerable economic and social benefits in the long run. The cost of reform should be considered as an investment in the future of the countries of the region. It would be wasteful to wait for the impact of a freeze on new appointments and normal attrition through retirement. In order to accelerate reform, attractive alternatives and training for entrepreneurial or other work should be made available to all. The example of Tunisia, in which the reform process involved linking wage increases to productivity and competitiveness is an excellent example that ESCWA member countries could follow. Were they to do so, it would be necessary to develop a comprehensive and coherent plan for the requirements of the various agencies, in terms of personnel, qualifications and roles. Such a plan should be based on anticipated, rather than current, performance levels and should guide rational redeployment in order to satisfy shortages and reduce excesses in current personnel distribution. Large-scale training would also be required in order to update knowledge and skills and special efforts are necessary for the purpose of instilling public service norms. The importance of such norms cannot be overemphasized. Compensation would need to be significantly increased and periodically adjusted to changes in economic conditions.

6. *Gender equality*

The countries selected for review in chapter I have long experience with regard to the social, economic and political empowerment of women through equal access to social development programmes, including educational, skills acquisition and technical training programmes. In addition, these countries have ensured the implementation of non-discriminatory regulation and practices with regard to gender. This has enabled the economies of these countries to achieve high level of development in a relatively short time span. Tunisia could serve as an example for ESCWA member countries as it has been able to achieve equality between the sexes in all aspects of daily life through the imposition of new legislation.

The gender gap that exists in ESCWA member countries could make it more difficult for these countries to attain a comparable level of achievement to that of Tunisia with regard to gender equality. Absolute poverty, which indicates difficulty in affording food and clothing, is more prevalent among female-headed households than those headed by men. Female-headed households are more likely to seek assistance and resort to borrowing or selling assets in order to cover living costs in excess of their incomes. Considerable disparities between men and women exist with regard to unemployment rates, earnings, literacy, school enrolment at all educational levels and educational attainment. Women are more likely than men to have reported poorer health conditions, limitations in function and disabilities. Moreover, women are more likely to have tried but failed to obtain needed health care and to have failed to do so because of the cost of such care.

National progress can only be partial while gender imbalance continues to drain the energies of half of the population. Social policies aimed at unleashing those energies through the empowerment of women also have a considerable moderating

influence on population growth rates. Measures for attaining gender equity in ESCWA member countries should focus on the removal of all barriers to the participation of women in economic, social and political arenas, introduction of laws to increase employment opportunities for women and equal pay for equal work, in addition to the elimination of any other forms of discrimination against women.

7. Political stability

Political stability and the absence of external threats play a key role in strengthening the impact of social policies since they create a stable environment in which social advancement can evolve and the benefits accumulate incrementally. Such an environment facilitates the implementation of social policies at the same time as economic growth and, thereby, enables countries to achieve sustainable development. In addition to the absence of natural disasters, wars, conflicts, external strife and extreme ideologies, such conditions contribute to an overall commitment to social policy objective, which include improving the quality of life. However, it should be noted that such conditions are external to the decision-making process. Moreover, the ESCWA region does not enjoy the political stability of the countries reviewed in chapter I. This could have contributed to obstructing the effective implementation of social policies in member countries.

8. Preparedness for globalization

All of the selected countries reviewed are well prepared to confront the social and economic challenges posed by globalization as they have familiarized their populations with the associated risks and possible benefits through advocacy and involvement in decision-making and constantly update their economic and social policies in line with the changing global environment. The experience of Tunisia in this regard serves as a good example for ESCWA member countries since it has been able to modernize the social infrastructure through the introduction of new legislation relating to the role of women in the economic and social spheres.

In order to be able to keep pace with the rapid transformations that are taking place in modes of living, production and information, compete with other nations and reap the benefits of globalization, the citizens and societies of ESCWA member countries need to accept and adapt to change. Fear of change, clinging to the past and excessive regulation limit the capabilities of citizens and can have a serious negative impact on society. In developed societies, certain configurations of institutions, organizations and professions have been evolving that provide enabling environments in which the creative energies of citizens with greater mobility and flexibility can be unleashed. One of the primary requirements of globalization is the ability of individuals to communicate effectively with other people and communities and cope in a positive, unbiased manner with other cultures, races and religions in a context of predominantly western cultural norms. In this setting, knowledge of foreign languages and, in particular, English, is a primary tool with which to expand the horizons of socialization and skills.

C. TOOLS FOR EFFECTIVE SOCIAL POLICIES IN THE ESCWA REGION

In addition to meeting the basic requirements for the implementation of effective social policies that can, with time, become embedded in the social infrastructure, countries should invest in the tools required for the effective functioning of such policies. These tools include equipping the labour force with the skills required for productive employment and protecting vulnerable segments of the population and providing them with investment opportunities and safety nets. The experience of the selected countries reviewed indicates that the effectiveness of their social policies is based on heavy investment in education and skills development. In each of these countries, education has evolved according to the requirements of the economy in order to provide the skills needed by the labour market at every stage of development. In addition, the provision of social protection to all segments of society and, in particular, vulnerable segments, has enabled their active participation in economic development. In this regard, the promotion of small and medium-sized enterprises (SMEs) is of particular importance as it contributes to poverty alleviation and the absorption of excess labour. With access to credit, training and markets, SMEs also have the potential to develop and form the backbone of industrial activities. The range of tools used by the five selected countries for the purpose of strengthening their social policies is described in table 5.

TABLE 5. TOOLS USED FOR STRENGTHENING SOCIAL POLICIES

| Tool | Canada | Malaysia | Norway | Republic of Korea | Tunisia |
|--|--|---|---|--------------------------|--|
| Heavy investment in education and skills development | High priority, with emphasis on retraining | High priority, with emphasis on the poor | High priority | High priority | High priority |
| Social protection of vulnerable groups and heavy investment in safety nets | Priority | Priority, with emphasis on education for the poor | Priority | High priority since 1988 | High priority, emphasis on rural areas |
| Active labour markets programmes | High priority | High priority since 1997 | Priority | .. | Priority since 1970 |
| Activation of informal sector and SMEs | Medium priority | Priority since 1997 | N/A | Priority since 1998 | Priority |
| Accurate data and regular update of social indicators and policies | Priority, shifts from passive to active policies | Priority, regular monitoring and evaluation | Medium priority, updates embedded in the welfare system | Priority since 1997 | Priority since 1970 |

Notes: Two dots (..) indicate that data are not available.

1. *Heavy investment in education and skills development*

Effective participation in the global economy requires a new set of skills and capabilities. Individuals with a sound broad education and training, in addition to basic transferable high-level skills including teamwork, innovation, problem-solving, information technology training, communication technologies and language skills, are highly employable in the global economy. Those who are prepared to acquire skills in the multiple fields of knowledge and competencies essential to securing and retaining decent employment and possess the flexibility to update skills and continue learning well beyond traditional schooling age in order to adapt to a constantly changing work environment stand to benefit the most.⁵

In this context, it is essential for ESCWA member countries to enhance the skills base of their citizens or the value of their human capital will inevitably fall, leading to intellectual and economic marginalization and isolation and, in turn, rising unemployment, underemployment, poverty and social tension. A crucial challenge facing ESCWA member countries is to fight poverty through ensuring economic growth, generating employment opportunities and enhancing the employability of citizens. The poor and women tend to have the highest illiteracy, school dropout and non-attendance rates, most commonly because of the costs involved and cultural resistance. Employability is a key outcome of education and higher levels of training.

The problems facing education and training in ESCWA member countries are considerable, although not insurmountable. Existing resources could be used in a more effective manner that would improve the quality of education and the skills-building process.⁶ Neither the proliferation of educational institutions in a country nor the prevalence of degrees or other certificates among a population are reliable indicators of the quality of knowledge and skills held or their assimilation into the national character. Developing countries that continue to neglect the quality of education will become marginalized in the global economy, suffer from slow social progress and find increasing difficulty in catching up with other developing and developed countries. Progress is most likely in those countries that develop a clear vision of education and the relevance of training to employability, poverty alleviation, development and growth. A comprehensive approach is necessary in order to enhance the quality of skill development, expand employment choices and achieve economic growth.

⁵ For further details, see ESCWA, *Responding to Globalization: Skill Formation and Unemployment Reduction Policies*, (E/ESCWA/SDD/2003/5).

⁶ Education is increasingly oriented towards the acquisition of cognitive skills and development of inquisitiveness, nurturing the drive to learn and transmitting knowledge of how to do so. Students are encouraged to become active participants in the process of learning rather than passive recipients while the role of teachers is now to facilitate the acquisition of knowledge by students, rather than pass on information. At the same time, the learning process has become more informal.

Governments, in cooperation with social partners, have a duty to guarantee the availability of quality public, primary and secondary education to all citizens. Qualified teachers and trainers are fundamental to the provision of quality education and the attainment by students of high academic and vocational standards. The critical elements of a successful educational system include the recruitment, remuneration, education, training and retraining of the teaching staff, and the provision of adequate facilities while career guidance, job placement services, career and employment counselling and market information play an essential role in bridging the gap between the educational system and the labour market and combating unemployment.

The main issues in this regard are the upgrading of the skills of the labour force with a focus on flexibility and labour market requirements, promotion of vocational training, removal of labour market distortions and sharing of responsibility by the Government and private sector, with the former assuming responsibility for regulation and the latter dealing with production.

Another important determinant of the benefits that countries with a large stock of unskilled labour can obtain is their ability to simultaneously increase technology imports and the skill levels of the domestic labour force. Government policies aimed at sustaining incentives for human capital formation and reducing the cost of technology adoption are vital. Coordinated efforts are also essential because investment in human capital alone will yield skills accumulation returns, while increased technology transfer alone is unlikely to be enduring and could have a negative impact on development by exacerbating income inequalities. This lesson can be drawn from the development experience of the Republic of Korea, where rapid industrialization and skills accumulation were achieved by expansion of the education system in tandem with skills upgrading. This approach not only reduced the technology gap and increased the demand for educated labour, but also provided the training and experience needed in order to realize the economic potential of educated labour. In ESCWA member countries this upward spiral does not need to occur in skill-intensive manufacturing activities but, depending on the specific sectors in which a given country has a comparative edge, could be based in primary or services sectors.

2. Social protection of vulnerable groups

Social protection in the ESCWA region was developed during the 1970s and 1980s and was generous. After the oil boom era and amid a general climate of declining revenues, such mechanisms came under stress as a result of high population growth rates. The population of the region doubled between 1970 and 1990. As a result, formal social protection mechanisms could not keep up with growing unemployment and poverty. According to the World Bank, the social protection systems in the region often contributed to the amplification of economic distortions and hampered growth through the use of inefficient delivery mechanisms such as price control, wage subsidies and guaranteed employment schemes in the public sector

irrespective of productivity.⁷ At present, social protection systems in the region are characterized by lack of institutional capacity, poor targeting methods, inefficiency in the allocation of resources and technical inefficiency in the production and delivery of social services. Moreover financial resources are not often sustainable and result in labour market distortions. The monitoring and evaluation of such programmes are often insufficient and there is a lack of mechanisms that would enhance their effectiveness. The poor quality of their targeting mechanisms means that subsidies tend to benefit middle and high-income groups more than they benefit the poor. Accordingly, countries of the ESCWA region need to reconsider social insurance programmes when designing social policies in order to provide an adequate safety net that can protect the most vulnerable members of their societies from the possible negative impacts of economic adjustment policies and create a satisfactory base for an adequate social protection system. Existent social assistance programmes should be augmented to provide reliable assistance for those who are unable to engage in gainful activities and those whose insurance benefits are insufficient. In addition, financing methods for social assistance programmes should undergo comprehensive review in order to improve their sustainability. The experience of Malaysia in overcoming the 1997 crisis through strengthening its social protection mechanisms is a case in point. The contribution of the Government to the insurance programme should also be reviewed, in order to clarify government allocations from general revenues covering shortfalls in annual expenditures on benefits, contributions for government employees and those in public sector enterprises, differences between rates and amounts of government contributions and those of private sector enterprises.

The most vulnerable groups in times of transition include the unemployed, in particular youth and new entrants into the labour market, the poor who are likely to become marginalized from lack of access to basic infrastructure and social services, children in low-income households who face the risk of entering informal labour markets prematurely, low-skilled workers who face the risk of unemployment and the elderly, who may lack access to sustainable health insurance and adequate pension systems.

Expenditure on programmes for the protection, correction and rehabilitation of the vulnerable groups mentioned above should be considered as investments in the future social infrastructure of the countries of the ESCWA region. Social policies in this sphere should consider the following issues:

- (a) The need for coherent, humane and sustainable national policies with regard to vulnerable groups;
- (b) The need to strengthen poverty alleviation policies and programmes and, in particular, provisions that enhance equity in income distribution;

⁷ World Bank, *Reducing Vulnerability and Increasing Opportunity: Social Protection in the Middle East and North Africa*, (World Bank, Washington, 2001).

(c) The need to restructure and augment resources allocated to existent social programmes concerned with the most vulnerable population categories;

(d) Strengthening the application of existent statutes with regard to the protection of delinquent and street children and introducing measures to combat the abuse and neglect of children;

(e) Improvement of facilities and technical capabilities for restorative care for the disabled, especially victims of conflicts.

3. *Active labour markets programmes*

Active labour markets programmes include training and retraining, job market search assistance and allowances to support businesses in the process of starting up. Such programmes are essential during the transition period during which labour released from obsolete enterprises is reallocated to productive activities. Malaysia and Korea depended on such policies in order to reintroduce in a short period of time the workforce that was retrenched during the financial crisis of 1997 into the productive economic cycle. Labour markets programmes are inexpensive and highly effective in increasing job placements. However, they require considerable administrative support and reach only a small portion of the unemployed population.

One crucial issue with regard to the labour markets in the ESCWA region is the mismatch between the excessive supply of tertiary graduates in conventional liberal arts fields and the requirements of a fluid global economy. This mismatch has been exacerbated by increasingly rapid innovations in the field of information technology that have caused information to circulate with unprecedented speed. This situation, in turn, has resulted in the creation of new jobs that require special skills and the phasing out of traditional forms of employment. Individuals who possess such skills have access to a wide range of job opportunities whereas those who do not face unemployment. In view of this situation, labour market programmes must ensure that workers acquire broad-based skills applicable in multiple disciplines that enable them to use these skills in new fields and take the initiative in changing situations rather than remain confined to a narrow range of professions or traditional manual skills.

Although the vocational system in the ESCWA region is expanding, problems remain. There has been no analysis of market requirements pertaining to skills, no coherent national strategy and interaction with the private sector has been limited. The system is fragmented in the majority of countries, burdened by a surplus of duplicated training programmes and marred by lack of coordination. Training programmes frequently target those who have dropped out of school for academic reasons. Programmes in higher education institutions are often theoretical and do not correspond to modern technological developments or the changing requirements of the economy. Within universities, various disciplines function in isolation from other areas. There is a general shortage of applied technology and interdisciplinary and

multidisciplinary programmes of study. Graduates of such programmes are often ill-equipped for the job market and remain unemployed for long periods.

Therefore, training establishments should seek to ensure that graduates are employable by equipping them with practical skills, knowledge and the readiness to embark on a process of lifelong learning. The main emphasis should be on learning flexibility and adaptability to changing requirements under variable conditions and the acquisition of new skills in that context. Moreover there is an urgent need to assess the quality of vocational and higher education in the region and its ability to ensure that graduates are employable, productive and competitive in line with the requirements of the new economy. In this regard, ESCWA member countries should examine the successful vocational training systems adopted by many European countries, in particular Austria, Germany and Portugal.

4. Activation of the informal sector and SMEs

In ESCWA member countries not members of the Gulf Cooperation Council, the informal sector, which includes small enterprises and microenterprises, requires particular attention. The informal sector is the most important source of job creation in the private sector, in part because of the specifics of economic growth in the region. In the formal sector, the most important growth occurs in capital-intensive enterprises and serves to limit employment opportunities. By contrast, small enterprises in the informal sector are labour-intensive and tend to generate employment opportunities. For example, the microenterprise sector in Egypt employed more than 2.5 million workers in 1.5 million establishments during the mid-1990s and accounted for 77 per cent of jobs in the non-agricultural private sector in 1996.⁸ Assistance for this sector should incorporate a set of reforms that support the activities of small enterprises and facilitate their access to the formal sector and that support, encourage and protect informal activities from extortion. Such reforms should be made at political, institutional, financial and legal levels.

Multiple strategies are necessary in order to stimulate economic growth in the region and these include the promotion of formal and informal SMEs. Such enterprises have a particular impact on poverty alleviation as most are labour intensive and tend not to require advanced skills. Larger, more technologically advanced enterprises have the potential to expand and become large-scale corporations in the future. Access to credit, training, markets, supportive and efficient government bureaucracy and freedom to organize for collective interests are crucial to the growth of this sector of the economy.

Foreign direct investment should be encouraged in order to promote an environment in which the informal sector and SMEs can flourish and grow. In the

⁸ Handoussa, H., "Employment, budget priorities and microenterprises", paper presented at the Conference on Employment and Unemployment in Egypt, ECES, Cairo, 13-14 January 2002.

past, the nationalization of enterprises and protection of inefficient public sector enterprises have prevented or discouraged such investment in the ESCWA region as have shortages in educated and skilled workers, markets lacking openness, freedom or modern regulatory institutions and mechanisms, outdated labour laws, bureaucratic obstacles and infrastructural limitations. The present privatization process should seek to build confidence by ensuring that the ownership of public enterprises not only shifts from government to stockholders but, also, that their management is overhauled and personnel are selected on the basis of competence rather than personal influence.

5. Accurate data and regular update of social indicators

The lack of data and information with respect to the different elements of social policies has further contributed to the chaos of the current situation and the ineffective implementation of social policies. In other parts of the world, the regular availability of data on poverty incidence, unemployment, nature of the unemployed, health and education statute of the vulnerable population all contribute to the formation and evaluation of social policies. Moreover, the absence of accurate and timely data opens the way for speculation and exaggeration that will lead to the wrong type of recommendations and decision-making. In times of reform, the availability of such data is particularly valuable.

Indicators to assess the progress of social policies are not readily available in the ESCWA region. A wide range of quantitative and qualitative indicators beyond data on education, illiteracy, health issues and poverty need to be measured and updated regularly in order to monitor the implementation of social policies at the country level. A list of indicators required in order to assess the progress and impact of the implementation of social policies at the country level is proposed in box 3. Although this list is not comprehensive, further steps should be taken in order to construct a comprehensive list of indicators for the purpose of monitoring progress.

Box 3. Proposed indicators for assessment of the impact of social policies

Proposed indicators of social development would include the following:

- Political will to change;
- Resources allocated to social policies as a percentage of the total budget;
- Extent of social security perceived by nationals (access to services);
- Fairness of income distributions;
- Institutional weaknesses and associated problems related directly or indirectly to the prevalence and intensity of poverty;
- Role of women in political participation;

Box 3 (continued)

- Role of extended family in poverty alleviation;
- Role of civil society in poverty alleviation;
- Gap between education and labour markets;
- Interdependence of economic and social development;
- Negative impact of wars and defence expenditure on socioeconomic development.

Proposed indicators of scientific and technological development would include the following:

- Amounts and percentages of GNP allocated to research and development;
- Capacity for the adoption of technology from other countries;
- Capacity for importing scientists from other countries;
- Capacity for the production of scientists.

6. Conclusion

The integration of social policies in ESCWA member countries tends to be weak, which has reduced their effectiveness. The social policies implemented by various ministries and non-governmental organizations often amount to an uncoordinated set of programmes that do not form part of any comprehensive, integrated social vision within a broader socio-economic framework. Ministries of Planning, where still functional, are more involved in the allocation of resources than the formulation of a broad framework that could generate integrated social vision and policies. This situation has caused wastage of human and financial resources and served to exacerbate poverty and unemployment. It appears unlikely that such trends will alter in the near future since the majority of ESCWA member countries have embarked on the privatization of some social services and reductions in social expenditure. A critical review is required on the basis of which a comprehensive socioeconomic framework could be formulated that would create the conditions in which an integrated social policy vision could develop that would prevent the social situation from deteriorating, especially for the vulnerable, deal with issues related to upgrading the social situation of member countries by tackling the different social sectors collectively and, moreover, give utmost priority to issues related to the promotion of democracy, advocacy of good governance and empowerment of civil society.

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