The capability approach and welfare policies

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1. Introduction

In 1984, Australia was the first country to analyse its government budgets on the gender impact of policies and programs. In 1995, the United Nations' Bejing Platform for Action called for the integration of a gender perspective into budgetary decision-making. Gender budgets and gender audits have since been introduced in many countries throughout the world—around the turn of the Millennium, more than 40 countries were counted (Sharp and Broomhill 2002: 25-26).

One might thus think that the recent gender audits initiated by the Italian Region Emilia Romagna have a lot of international experience to build on—which is certainly true. However, the gender audits initiated by the Region Emilia Romagna are at the same time original and path breaking because they are, to the best of my knowledge, the first to implement the gender audits through a capability perspective. In other words, the gender audits that are conducted are not gender audits investigating purely monetary or material effects, but are using the capability approach as its underlying theory of human welfare and welfare policies.

This short paper tries to give a brief introduction to the capability approach in the context of these gender auditing exercises. Section 2 gives a definition and description of the capability approach. Section 3 describes the differences with standard evaluations to welfare analysis. Section 4 highlights the importance of human diversity in the capability approach. Section 5 discusses the relevance of the capability approach for welfare

policies. Finally, section 6 analyses the similarities and differences between gender audits/budgets and the capability approach.

2. What is the capability approach?[1]

The capability approach is a broad normative framework for the evaluation and assessment of individual well-being and social arrangements, the design of policies, and proposals about social change in society. It is used in a wide range of fields, most prominently in development studies, welfare economics, social policy and political philosophy. It can be used to evaluate several aspects of people's well-being, such as inequality, poverty, the well-being of an individual or the average well-being of the members of a group. It can also be used as an alternative evaluative tool for social cost-benefit analysis, or as a framework within which to design and evaluate policies, ranging from welfare state design in affluent societies, to development policies by governments and non-governmental organisations in developing countries. In academia, it is sometimes being discussed in quite abstract and philosophical terms, but also used for applied and empirical studies. The capability approach has also provided the theoretical foundations of the *human development paradigm*, which is the people-centred development approach advocated by the United Nations Development Program (1990-2004) in their annual *Human Development Reports.* Note that the capability approach is not a theory that can *explain* poverty, inequality or well-being; instead, it rather provides a tool and a framework within which to *conceptualise* and *evaluate* these phenomena. Applying the capability approach to issues of policy and social change will therefore often require the addition of explanatory theories.

The core characteristic of the capability approach is its focus on what people are effectively able to do and to be, that is, on their capabilities. This contrasts with philosophical approaches that concentrate on people's happiness or desire-fulfilment, or on income, expenditures, or consumption. The approach has been pioneered by the Nobel Prizing winning economist and philosopher Amartya Sen (see, for example Sen 1985, 1992, 1999). It is also often associated with the philosopher Martha Nussbaum (2000), and with an increasing number of other scholars.

[1] This section is largely taken from Robeyns (2005).

Sen argues that our evaluations and policies should focus on what people are able to do and be, on the quality of their life, and on removing obstacles in their lives so that they have more freedom to live the kind of life which, upon reflection, they have reason to value. A key analytical distinction in the capability approach is that between the means and the ends of well-being and development. Only the ends have intrinsic importance, whereas means are instrumental to reach the goal of increased well-being, justice and development. However, in concrete situations these distinctions often blur, since some ends are simultaneously also means to other ends (e.g. the capability of being in good health is an end in itself, but also a means to the capability to work).

According to the capability approach, the ends of well-being, justice and development should be conceptualised in terms of people's capabilities to function, that is, their effective opportunities to undertake the actions and activities that they want to engage in, and be whom they want to be. These beings and doings, which Sen calls functionings, together constitute what makes a life valuable. Functionings include working, resting, being literate, being healthy, being part of a community, being respected, and so forth. The distinction between achieved functionings and capabilities is between the realised and the effectively possible, in other words, between achievements on the one hand, and freedoms or valuable options from which one can choose on the other. What is ultimately important is that people have the freedoms or valuable opportunities (capabilities) to lead the kind of lives they want to lead, to do what they want to do and be the person they want to be. Once they effectively have these substantive opportunities, they can choose those options that they value most. For example, every person should have the opportunity to be part of a community and to practice a religion, but if someone prefers to be a hermit or an atheist, they should also have this option.

The capability approach evaluates policies according to their impact on people's capabilities. It asks whether people are healthy, and whether the means or resources necessary for this capability are present, such as clean water, access to doctors, protection from infections and diseases, and basic knowledge on health issues. It asks whether people are well-nourished. It asks whether people have access to a high quality educational system, to real political participation, to community activities which support them to cope with struggles in daily life and which foster real friendships. For some of

these capabilities, the main input will be financial resources and economic production, but for others it can also be political practices and institutions, such as the effective guaranteeing and protection of freedom of thought, political participation, social or cultural practices, social structures, social institutions, public goods, social norms, traditions and habits. The capability approach thus covers all dimensions of human well-being. Development, well-being, and justice are regarded in a comprehensive and integrated manner, and much attention is paid to the links between material, mental and social well-being, or to the economic, social, political and cultural dimensions of life.

Obviously, the capabilities that make up human well-being are irreducibly multidimensional. That distinguishes the approach from both purely income bases approaches, which are dominant in economic theory and economic policy making, but also of more psychological approaches which argue that well-being can be reduced to people's feelings of happiness.

3. What's the difference with the standard approaches to welfare?

Most economic research and public policies focused on income levels (for people) and the GNP per capita (for a country). Often policy makers talk about the importance of economic growth, which means that GNP per capita is increasing. However, the capability approach is critical if economic growth is regarded as the only thing that counts, as there are many important aspects of human welfare that cannot be captured by looking at incomes and growth only.

The capability approach stresses that we have to make a clear distinction between the means or inputs and the ends of the quality of life. Income can be an important means for some aspects of well-being (e.g. for the health care sector, for education, etc.), but not for all capabilities (e.g. long-term unemployed are more often socially isolated and depressed, for which there are no simple monetary solutions). Similarly, economic growth is important as it provides the means for some important capabilities, but it does not tell us anything about other capabilities, for example:

- Do people have to work too many hours, which increases their levels of stress and pressure on their time?

- Are parents (in reality mainly mothers), being able to develop themselves through their work, or are the public services for childcare insufficient which prevents them access to this capability?
- Is the economic growth being realised by causing a lot of environmental damage, and noise and air pollution, thereby limiting the current and future's generation capability of enjoying natural beauty and living in a clean and quite environment?

The capability approach also endorses an important argument from feminist economics, namely that the non-monetary economy is an important source of well-being, especially the enormous amount of caring labour, which is mainly performed by women (Chiappero-Martinetti 2003; Picchio 2003; Robeyns 2003). For example, if a country has a public health care system, the government can decide to save money by reducing the number of days that patients stay in hospital, and instead having them cared for at home by family members. But while this might save money for the government budget, it can cause great difficulties if there is no such family member available who has no other responsibilities (like a job) when the patient comes home. In the majority of the cases, it is women (mothers, daughters) who will do this unpaid caring work, thereby forgoing the capability of paid work for themselves.

The ultimate claim of the capability approach is that the ends or goals of policies should be people's well-being in all its dimensions, that is, their capabilities. But the tools of the policy makers are not those ends themselves, but rather policies that affect the capability inputs. These capability inputs include:

- resources (income),
- non-monetary production (care, domestic work, voluntary work),
- public goods and services, e.g. child care facilities, high-quality education, …
- social institutions, e.g. a fair and efficient legal system,
- the community's culture, e.g. attitudes towards working mothers, part-time working fathers, gays, minorities,…

For each capability, it is important to ask which are the most important capability inputs, and how we can change them. It will not always be the government's task to try to

influence these inputs. For example, if we want to fundamentally change gender inequality in European societies, we need some policies that can be done by the government, such as effective anti-discrimination policies, gender-just social institutions (e.g. child care facilities). But we also need cultural changes—and it is the ethical responsibility of each person to behave in such a way that it does not reproduce gender stereotypes and gender prejudices. Thus, both socio-economic, but also cultural changes are needed to expand women's capabilities.

4. The importance of human diversity

The capability approach acknowledges human diversity, and stresses that different people need different types and different amounts of capability inputs to reach the same well-being. In the terminology of the capability approach, this is highlighted by pointing out that there are factors which influence how well a person can 'convert' capability inputs into capabilities. These **conversion factors** can be social factors (social norms, religious norms, sexism, racism, …), personal factors (disabilities, skills,…) or environmental factors (living in a dangerous area). The following three examples will illustrate these different conversion factors.

Example 1: a disabled person in a wheelchair needs a lift if s/he wants to be able to use public transport, such as trains or buses, which able-bodied passengers do not need. Thus, disability is a conversion factor which makes it harder for a disabled person to 'convert' a bundle of resources into the capability of being mobile: even if she has the same income as an able-bodied person, she will not be able to travel with public transport as long as there are no lifts in the buses.

Example 2: a childless person does not need child care facilities to be able to hold a job, but a parent who does not have a housewife/househusband (or another family member or neighbour) needs this if she or he wants to work. Because of gender roles, this responsibility generally falls on women's shoulders. It is the mother's responsibility to either find affordable childcare, or to stay home with the child herself. In this example, both parenthood and gender are conversion factors. Because different countries have

different policies, public goods and services, and social institutions, the conversion factors gender and parenthood will have different impact on people's capabilities in different countries.

Example 3: people in a colder region need heating in their houses, which people who are living in a warmer region do not need. Thus, there are also environmental conversion factors, such as climate, or whether a region is vulnerable to earth quakes, etc.

In the past, public policies have often been designed assuming one homogenous type of person; often this was a healthy white man with a wife at his side who would take care of the house, the children, frail elderly, and the community relations. While this has always to some degree been a fiction, *anno* 2005 we simply can no longer work with this model, as it is based on a neglect of human diversity, and on an unrealistic picture of how people live their lives, and would like to live their lives. (see, e.g. Esping-Anderson 2002, and a large literature in feminist social sciences.) The capability approach offers one possible theoretical framework to put this human diversity at the core of our welfare policies.

5. Relevance of the capability approach for welfare policies

What is the relevance of the capability approach for welfare policies? I will use the term *welfare policies* to indicate all those policies that impact on people's well-being, e.g the classical social policies, but also educational policies, health policies, environmental policies, etc.

From a capability approach, these policies should not assume that people are only consumers and producers. That is too often implicit in the current welfare policies in Europe. If we shift the ultimate *goal of welfare policies* from economic growth to the *expansion of human capabilities*, the effectiveness and desirability of some policies will change.

Example 1: *The level of development of a country:* Until the early 1990s, GNP per capita was the usual measure for the level of development of a country. However, following Amartya Sen's (1985) earliest work on the capability approach, which included some

empirical studies showing that countries with similar GNP per capita could have widely different levels of education, health and life-expectancy, the United Nations Development Programme (UNDP) created the *Human Development Index*. This index is based on the theoretical foundations of the capability approach, and is now widely used as an alternative, and more people-centred, measure of development.

Example 2: *Financing the universities* through higher fees and loans for students?
A loan- system assumes that the students from today will all hold jobs tomorrow, and that university studies should be regarded as an investment in human capital – with financial payoffs – rather than an investment in human capabilities – not necessarily with financial payoffs, but generally with non-material payoffs). Thus, the loan system does not value the non-material benefits of education, and implicitly assumes that higher education is *only* a labour market investment. The loan system does not value the non-material benefits of having highly educated parents for children's well-being, nor does it value the benefits of higher education for people who do not hold jobs.

6. The capability approach and gender budgeting

As I indicated in the introduction, up till now the debates and literatures on the capability approach and gender budgets have developed separately. An important exception is the work that is currently being done in Italy in the Region Emilia Romagna (see e.g. Addabbo, Lanzi & Picchio 2004).
However, the two approaches have much in common:

- both approaches take **human diversity** seriously, and try to avoid a policy or analysis that *de facto* focuses on the needs and experiences of adult, healthy men;
- both approaches argue that the **non-monetary/unpaid economy** is very important to understand the quality of life and should be fully taken into account;
- both approaches argue that while on the surface a policy may look just fine, only after a more detailed analysis we might discover that in fact it is perpetuating existing **inequalities** (between men and women, or between other groups), or sometimes creating new inequalities.

It is thus no surprise that many feminist economists are interested in Sen's capability approach (see, e.g. Agarwal, Humphries and Robeyns 2003; Chiappero-Martinetti 2003; Picchio 2003; Power 2004). Moreover, the interest in the capability approach among policy makers is worldwide expanding rapidly. It is therefore to be hoped that the experiences of the Region Emilia Romagna will be disseminated widely both within Italy, as well as internationally.

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