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A Capability Approach for the European Union

Paper

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A Capability Approach for the European Union

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A Capability Approach for the European Union

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Abstract

The aim of this paper is to develop a new concept for the EU in order to define and measure poverty no longer on the basis of income\(^1\), but on so called capabilities to argue for a capability oriented social policy. The capability approach (CA) was originally developed by Nobel laureate Amartya Sen\(^2\) and can be interpreted as critique of the utilitarian tradition of standard economics. In Sen’s view, mainstream economic analysis operates on a very narrow base and does not include central information about the human condition. The main points of Sen’s critique shall be discussed by way of introduction in section one. In offering an alternative framework of economic evaluation, Sen is very much inspired by the work of Adam Smith (1723-1790) and tried to bring him back into the economic and social discussion. The connections between Smith and Sen and the main elements of the CA will be discussed in section two.

Within this framework, a further conceptualisation of the EU-approach becomes possible. Poverty will now be defined in terms of some basic, normatively and empirically justified, capabilities. The challenge in section four is to find these capabilities and make them explicit. The “tightrope” walk between both aspects, viz. theoretical claim and practical implementation, is not a simple task. Nevertheless it must be undertaken in order to guarantee both scientific value and empirical applicability. The main purpose of the paper, however, is to argue for a change of perspective in both poverty measurement and more explicitly so in poverty policy at EU level. In the concluding chapter implications for a capability oriented social inclusion policy in the EU will be discussed in further detail.

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\(^1\) The poverty line in the EU is set at an income lower than 60\% of national median equalised household income.

\(^2\) Amartya Sen won the Nobel Price for Economics in 1998 “for his contributions to welfare economics”.
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1. Introduction: Sen’s Critique of Utilitarianism and Welfare Economics

Amartya Sen’s Capability Approach (henceforth CA) should be seen as the result of his consistent critique of standard economics. Sen argued against the narrow utilitarian base and also against the reductionist view of individuals (in its various notions) of welfare economics. His main point is that it is not possible to answer the question of the relevant weight of economic needs in the theoretical space of this approach, in which individual preferences are measured exclusively. The utilitarian informational base seems insufficient to Sen. He is as interested, however, in a paradigmatic change as in broadening this base. His aim is to develop solutions to real and urgent questions as inequality and poverty. In Sen’s view all of the utilitarian evaluative principles, which he discusses in several papers, viz. sum-ranking\(^3\), welfarism\(^4\) and consequentialism\(^5\) lack crucial information to do so.

The utility concept is one-dimensional and ignores important non-utility aspects. This, however, results in a reductionist view of human motivation. Sum-ranking for instance “[…] merges the utility bits together as one total lump, losing in the process both the identity of the individuals as well as their separateness. […] By now persons as persons have dropped fully out of the assessment of states of affairs” (Sen und Williams 1982, p.5). Welfarism, which ranks alternative states of affairs, also includes utility-information alone. Sen argues that if we exclude all considerations except to utility, moral evaluation may have bizarre results as important backward information about actions and motivations in these states are disregarded. Non-utility information is caused by different sources of utility. The welfarist restriction of information strongly limits the scope of moral judgment of different states of affairs. This limitation is emphasised in showing cases that are identical in utility but differ in certain non-utility aspects. The same point is true for consequentialism. Sen doesn’t reject consequentialist evaluation as such, but once again criticises the exclusive consideration of utility: “Consequential analysis may be taken to be necessary, but not sufficient, for many moral decisions” (Sen 1987, p.76). The exclusion of actions, motives and processes in evaluating states of affairs is not acceptable considering the objective of getting something to know about the real world and real social problems.

In 1932 Lionel Robbins published his famous *An Essay on the Nature and Significance of Economic Science*, in which he radically refused normativity in economics. By claiming that “[…] economics is the science which studies human behaviour as a relationship between ends and scarce means, which have alternative uses” (Robbins 1932, p.15), he clearly demonstrated that economics is neutral towards ends and is unconditionally positive as research program. This claim was combined with a clear separation of ethics and economics, which was a condition that “was quite unfashionable then, though extremely fashionable now” (Sen 1987, p.2). Robbins’ critique was directed against the (normative) hedonistic construction of welfare economics in associating happiness with materialistic well-being.

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\(^3\) Sum-ranking means that “one collection of individual utilities is at least as good as another if and only if it has at least as large a sum total” (Sen 1979, p.468)

\(^4\) Welfarism means that “the judgment of the relative goodness of alternative states of affairs must be based exclusively on, and taken as an increasing function of, the respective collections of individual utilities in these states.” (Sen 1979, p.468)

\(^5\) Consequentialist evaluation says that all decisions should be valued due to their consequences.
This criticism had a great impact on the mainstream economic community and, resulting in normative statements and political recommendations being frowned thereafter. Thus, the majority of economists avoided the object of welfare economics and “for the sake of maintaining their status as scientists, they were willing to become technicians, concerned solely with observation, description, classification and the collection of data” (Scitovsky 1951, p.303).

Robbins argued that interpersonal comparisons of utility had no scientific basis: “There is no means of testing the magnitude of A’s satisfaction as compared with B’s” (Robbins 1938, p.123). The argument was derived from the insight that the law of diminishing utility makes assumptions that can’t be verified by observation or introspection. Furthermore it implies the “great metaphysical question of the scientific comparability of different individual experiences” (Robbins 1932, p.121). Robbins was not only concerned with opposing interpersonal comparisons for scientific reasons, but also to mark them as normative and ethical. Sen argues that if it is accepted that these comparisons are scientifically meaningless – a position he doesn’t support – then “the statement that person A is happier than B would be nonsensical – ethical nonsense just as much as it would be descriptive nonsense” (Sen 1987, p.31). In Sen’s view normative judgments and the evaluation of states of affairs are integral components of economic theory. Part of such evaluation, according to him, lies in interpersonal comparison. This comparison, however, should not be based on the concept of utility, but on a broader informational foundation as was said before.

Robbins’ analysis found general approval and finally triggered the development of a new welfare economics. Economists such as Nicholas Kaldor, John R. Hicks and Paul Samuelson marked the beginning of Paretian welfare economics on the basis of the new consensus to do without interpersonal comparisons. The aim was to show that many economic conclusions could be derived from individual preference orderings and that cardinal measures of utility weren’t necessary. The so called ordinalists didn’t need to argue for the impossibility of cardinal measure, it was sufficient for them to show that they were not necessary (Brennan 1993, p.133). Sen agrees that comparisons of mere feelings are not possible but adds that in describing someone as being better off than another person can’t be reduced to such feelings. He argues that “the problem of comparing the well-being of people has to be dissociated from the insistence on sticking to the utilitarian strait-jacket of comparisons of pleasures or desires” (Sen 1993b, p.56). In leaving out interpersonal comparisons but still sticking to the concept of utility, the new welfare economics, says Sen, further restricts its already narrow informational base. Robbins doesn’t make a difference between “some comparability and total comparability of units” (Sen 1970, p.99f). Distributional issues therefore get lost in welfare economics.

This critique aims also at the Pareto rule, which was needed after the rejection of interpersonal comparison as new (weakly normative) criterion. However, it says nothing about inequality and the distribution of income and well-being within a society.

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6 Robbins (1938, p.123): “It involves an element of conventional valuation. Hence it is essentially normative. It has no place in pure science.”
Thus, it is not an adequate instrument for analysing social problems and “is an extremely limited way of assessing social achievements” (Sen 1987, p.35). Sen advocates partial interpersonal comparisons, as well as partial cardinality and incomplete social preferences “to show that in certain circumstances we can still reasonably say that total economic welfare would be increased by a more equitable distribution of income” (Myint 1972, p.1170). Such comparisons, however, can’t be based on utility alone.

On the base of his fundamental critique of utilitarian principles of welfare economics, Sen introduced so called capabilities and functionings to evaluate social states. These criteria should guarantee that social evaluation and the analysis of social problems such as inequality and poverty becomes possible with the instruments of economic theory.

2. Capability-Theory and its Roots in Adam Smith

The CA is the logical result of Sen’s critique of welfare economics. Not only it reflects the purpose to found a more realistic economic theory, but it also sharpens the consciousness of a new political economy in the tradition of classical authors. The approach is a framework for the evaluation of individual and collective welfare and as such provides a theoretical basis for analysis of inequality, poverty and politics. In the following, I briefly discuss the main elements of the approach, in order to then examine its main connections to the theories of Adam Smith.

When Sen introduces functionings and capabilities to function, he does so, in order to provide an alternative to one-dimensional utility theory. Functionings are realised capabilities and as such represent individual achievements. Sen defines them as ‘beings’ and ‘doings’, which reflect the status quo of an individual or a group (e.g. being healthy). Functionings, therefore, represent the state of being and are contained within it (Sen 1985, p.10). In contrast to resources, which generate utility and thus have a mere instrumental character, functionings measure well-being as a result. Like an enterprise, a person produces output. Resources, however, must be seen as the input (income, commodities) of the production. While the level of output is determined by the input, it also depends on technical factors like the machines used, which influence the conversion of inputs into outputs (individual intelligence, personal relations, physical state, etc.). These are the non-monetary side conditions of decision-making (Kuklys 2005, p.5). Sen refers to these conditions as conversion factors, which can be taken to show that under certain circumstances two people with the same endowments may have a different level of well-being.

Achieved functionings, however, do not deliver sufficient information for evaluating development and living standards. In order to emphasise the fundamental importance of freedom as a positive concept, Sen also introduces capabilities, which represent the freedom to achieve valuable functionings. The capability concept refers to the freedom of a person to live the life she has reason to choose. “It represents the various combinations of functionings (beings and doings) that the person can achieve. Capability is, thus, a set of vectors of functionings, reflecting the person’s freedom to lead one type of life or another. The capability-set can therefore be seen as a representation of substantial freedom” (Sen 1992, p.40).
While functionings are constitutive components of well-being, capabilities stand for the freedom to achieve well-being. In other words, this is about the real possibilities of individuals to self-actualise in the way one desires. There are two reasons for emphasising freedom. First, there is an evaluative aspect, whereby the extent of enhancement of particular freedoms is analysed in conduction with development and living standards. The second reason concerns effectiveness of freedom in generating progress. Freedom of action is not only a fundamental part of development in Sen’s view, but also its main motor. Furthermore it contributes to assure other freedoms, which are indispensable for a developed society.

Sen argues, however, that not only well-being, but also agency should be at the centre of attention: “A person may value the promotion of certain causes and the occurrence of certain things, even though the importance that is attached to these developments are not reflected by the advancement of his or her well-being” (Sen 1987, p.41). This means that for a developed societies it is not only of fundamental importance to achieve a certain level of well-being, but also to act against one’s own well-being in order to pursue goals of different value.

Summarising the main elements of the approach then, it should be said that it defines well-being as well-being freedom (which corresponds to agency and agency-freedom) and measures it as the capability of a person to achieve certain goals. Not the actual but the possible state of being, however, is important for the analysis of welfare. Each approach asks for a very special kind of information. Sen, however, advocates pluralism considering information and principles, which is “a claim about the form of moral structure” (Sen 1985b, p.176) and has to be understood as a message to abandon a certain monism, which rejects the view that valid well-being may occur in several forms. Capabilities and functionings therefore should build the information base for further evaluation. Which capabilities an individual is able to generate, depends not only on the act of choice (I’m choosing one functioning-vector out of my capability-set), but also on the conversion factors, which may be influenced socially and individually.

Several philosophical influences may be found at the roots of capability theory. Martha Nussbaum (1988) for example, emphasised the Aristotelian connection to the CA, and Sen himself speaks of Aristotle’s view of the human good as “the most powerful conceptual connection” (1993, p.46). While the reference to Aristotle is an effective rhetorical device that serves more as a terminological stimulus, I see a much stronger affiliation of Sen’s work to the ideas of Adam Smith. Throughout in his writings, Sen himself has frequently invoked this classical author and his holistic view of society and economy. In fact, not only Sen’s model of economic behaviour but also his view of markets and capitalism are highly inspired by Smith (cf. Eiffe 2008).

Markets, in Sen’s view, serve to generate freedom and their efficiency has to be valued in terms of this generating process: “Combining extensive use of markets with the development of social opportunities must be seen as a part of still broader comprehensive approach that also emphasizes freedoms of other kinds (democratic rights, security guarantees, opportunities of cooperation and so on)” (Sen 1999, p.127).
The challenges a market system has to cope with, have to be related to problems of justice in the distribution of substantial freedoms. A freedom related understanding of market efficiency (compared to a welfare economic perspective) has the crucial advantage that “the idea of freedom involves several distinct issues, including processes and procedures as well as actual opportunities that people have to live the way they would choose” (Sen 1993a, p.538). Both Smith and Sen advocate the view that free competition will have positive effects und special institutional and social arrangements. In such a system government is in charge of balancing economic progress and social needs in society. According to this view, the state has to enable its citizens and to promote their development potential. The freedom related approach admits a change of perspective and turns back to Smith. From technical-economic analysis we can now turn again to an integrated approach of specific ethical and political elements. The concept of capability owes much to this holistic view. Well-being is not determined by the possession of economic resources, but by the capabilities into which these resources can be converted. Markets, therefore, have to be valued in terms of the capabilities they are able to generate.

The idea of capability itself, however, is Smithian in its origins. For Smith, poverty was the inability to fulfil basic needs. The commodities needed to fulfil these needs vary from society to society, while the necessaries themselves remain the same. The prototype capability “to appear in public without shame” first forwarded by Smith and often cited in Sen’s work, demands different commodities in different times and places. As Sen states, “the basic point of social variation of form related to the same general functioning” and thus the notion of capability “goes back in fact, to Adam Smith (1776)” (Sen 1992, p.109). Poverty defined as a deprivation of basic capabilities has an absolute core and cannot be interpreted as relative in the space of capabilities. In Sen’s opinion not only poverty but human development in general has to be valued in terms of the capabilities a society is able to generate. The constituting element of living standard is not the commodity as such or its function, but the capability to realise various things with it. Poverty regarding capabilities is an absolute concept. Regarding commodities, however, it will turn to a relative form (Sen 1983, 1985c).

3. Conceptualising an EU approach

Poverty as a deprivation of capabilities

As was shown above, the CA offers a framework for evaluating social phenomena such as justice, inequality and social exclusion. The approach was presented as general theoretical framework and should now be taken to build a foundation for a definition of poverty in the EU. Although there has been a shift from ‘poverty’ to ‘social exclusion’ in the EU, poverty measurement is still focused primarily on income and resources and “policymakers […] in EU member states appear to interpret ‘social exclusion’ as ‘exclusion of the labour market’, ‘acute poverty and material deprivation’ (or both) or, less frequently, ‘inability to exceed basic social rights’” (Tsakloglou and Papadopoulos 2002, p.212). According to the CA, however, poverty is interpreted as a lack of actual possibilities to choose different forms of living and “can be sensibly identified in terms of capability deprivation” (Sen 1999b, p.88). The approach “concentrates on deprivations that are intrinsically important (unlike low income, which is only instrumentally significant)” (ibid.).
Such a deprivation can be the result of social restrictions on the one hand, or of personal circumstances on the other (Drèze und Sen 1995, p.11). Low income and other economic aspects are of instrumental significance only and must be analysed due to their role in retrenching capabilities. As Sen puts it “the instrumental relation between low income and low capability is variable between different communities and even between different families and different individuals (the impact of income on capabilities is contingent and conditional)” (1999b, p.88).

It is important to understand that income is only one – although an important – aspect of capability deprivation: “The instrumental connections, important as they are, cannot replace the need for a basic understanding of the nature and characteristics of poverty” (Sen 1999b, p.92). Sen turns the tables: Evaluation of poverty is no longer based on earned income, but on the capabilities that can be generated through it. Capabilities, however, are of intrinsic importance to a good life. Furthermore, the relation between income and capabilities is variable and depends on conversion factors such as age, sex, social role, tradition and others. The achievement of functionings will be more difficult for handicapped or (chronically) ill people by given income. The availability of means gets thus substituted by the ends people have reason to pursue in the analysis of poverty.

While an income poverty threshold draws an interpersonal constant line that is misleading in identifying and evaluating poverty, the conversion of income into fundamental capabilities is variable, not only from person to person, but also from society to society. Thus, the ability to achieve minimal acceptable capability-levels comes along with different levels of income. Sen’s central point is to emphasise interpersonal and intersocial differences in the relationship between income and capabilities (Sen 1993, p.41).

In addition to income as isolated indicator, Sen and others (Sen 1985 c, Atkinson 2003, Salais and Villeneuve 2004, Burchardt and Vizzard 2007) also criticised the relativity of EU-poverty measures and others. A relative deprivation of certain goods entails an absolute deprivation of capabilities. The EU-poverty line for instance, doesn’t allow for identifying an absolute income threshold to be set at an income level, at which basic needs can be fulfilled: “We are not able to tell whether or not a household with incomes below one of these European thresholds has sufficient means to live decently or not” (Volkert 2006, p.364).

How to find central capabilities

Implementing the CA must be understood as change in perspective. In the capability-view poverty can be seen as biographical endpoint of an impoverishment process caused by “withholding” central capability-generating inputs. Poverty, which results from the interplay of economic, social, political, historical and biographical factors in various fundamental dimensions, is enforced by a dynamic circular and cumulative process as was shown by Myrdal (1957). For conceptualising the CA for the EU, it is therefore necessary to concretise these dimensions. As Riveaud and Salais (2001) noted, a capability-program for the EU should first be compatible with EU principles and existing contracts and second maximise Europe’s added value within the logic of the subsidiarity principle.
In order to decide, which human spheres are to be declared as intrinsically valuable and to make a statement about central human capabilities in the EU, the process of European integration has to be taken into account.

Before thinking about general capabilities, however, there should be clarity about some basic capabilities constituting an absolute poverty line, as suggested by Volkert (2006). The absolute core of poverty must be considered and should be represented by a budget standard, which has to be achieved in order to avoid physical damage (Sen 1985). Volkert (ibid, p.370) argues that such budget standard should be elicited by experts using objective methods. While a budget standard includes such basic capabilities as “to meet one’s nutritional requirements”, “to be sheltered and clothed” and “to avoid premature death”, other fundamental ones such as the capability “to participate in the social life of the community” and to “avoid illiteracy” are not contained explicitly. I would therefore argue for a consideration of these two basic capabilities not monetarily measurable. Certainly the matter of which basic capabilities should be included can be left open to discussion. The number of indicators, however, should be kept small and those chosen should give yet deeper insights about absolute poverty. Furthermore, Sen himself heads these five as basic capabilities to be achieved in order to avoid existential damage. With reference to Klasen (2005) these are to be weighted between “heavily deprived” to “non-deprived” and made comparable this way. We are now able to gain information about basic capability achievements, which are conditional for generating further capability-sets. This model has the advantage that absolute poverty can be analysed in a three-dimensional space and is not dependant on monetary resources only. Figure 1 shows basic capability achievement of two fictitious individuals as coloured areas in three-dimensional space:

*Figure 1: Three-Dimensional Basic Capability-Sets*

In addition to the basic capability level, which is conditional upon the generation of further capability-sets, the identification of general capabilities to be achieved is a central element of EU-wide operationalisation. Disproportionate complexity, however, should be avoided for two reasons: First, data will be limited and second, public debate should not be exacerbated.
As I suggest, consensus about decisive capability-dimensions in fundamental social spheres can be achieved on basis of EU-contracts, -documents and of EU-Council and –Parliament decisions. Deprivation in these dimensions should be avoided in order to promote social cohesion and prevent poverty in EU member states. Crucial insights on the priorities of the EU about their objectives of fighting poverty and social exclusion can be gained especially from the Amsterdam Treaty, the Presidency Conclusions of the European Council in Lisbon (EC 2000) and Nice (EC 2000a) and the Charta of Fundamental Rights, which will be legally binding if the Lisbon Treaty of 2007 comes into force. Comparing allowed rights and commitments of EU-Council and Commission to implement these rights shows the following (poverty-relevant) picture (related issues are to be found in one row):

Table 1: Comparison of Rights and Commitments expressed in EU documents

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Right to human dignity (Art.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right to liberty and security (Art.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to services of general economic interest (Art. 36)</td>
<td>Right to protection from poverty and social exclusion (Art.136)</td>
<td>Promoting the access of everyone to resources, rights, goods and services</td>
</tr>
<tr>
<td>Right to social security and social assistance (Art. 34)</td>
<td></td>
<td>Preventing the risks of exclusion; Acting for the socially weak</td>
</tr>
<tr>
<td>Right to engage in work and to pursue a freely chosen or accepted occupation. (Art. 15/1)</td>
<td></td>
<td>Promoting the participation in the labour market</td>
</tr>
<tr>
<td>Fair and just working conditions (Art.31)</td>
<td>Improvement of living and working conditions (Art.136)</td>
<td></td>
</tr>
<tr>
<td>Right to education and to have access to vocational and continuing training (Art.14/1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The EU in general focuses very much on employment and on the economic states of persons as indicators of well-being, which is reflected in table 1. Sen (1997) identifies unemployment as a fundamental problem in Europe and considers it as a substantial capability-failure.
We can also find an emphasis on work conditions as well as commitment to delete illiteracy and lack of basic education as precondition of non-participation in social activities, reflected in the Right to education\(^7\) (EP 2000,p.11). Furthermore the Charter of Fundamental Rights privileges the right to human dignity and freedom, claims we can also find in the CA as intrinsic values.

The Charter also addresses certain target groups, viz. mothers, children, elderly, families, employed and unemployed persons, migrants, income-poor people, disabled, persons in need of care and chronically ill persons. These groups can be divided in three levels of capability deprivation, as is shown in table 2. In the table, the capability-dimensions, which are implicitly contained in the “protected sphere”, shall also be filtered:

\(^7\) “Everyone has the right to education and to have access to vocational and continuing training”(EP 2000, p.11)
Table 2: Target-group splitting and filtering capability-dimensions

<table>
<thead>
<tr>
<th>Level of deprivation</th>
<th>Target group</th>
<th>Protected sphere</th>
<th>Capability-dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-capability-deprived</td>
<td>Mothers</td>
<td>Social/material risks in case of motherhood Reintegration in the labour market</td>
<td>Self-determination Social participation Independence</td>
</tr>
<tr>
<td></td>
<td>Children</td>
<td>Risks of being under disability Risks of dependence</td>
<td>Personal development Social participation</td>
</tr>
<tr>
<td></td>
<td>Elderly</td>
<td>Risks of dependence and social isolation</td>
<td>Social participation Independence Self-determination</td>
</tr>
<tr>
<td></td>
<td>Employed persons</td>
<td>Risks of exploitation Risks of employment (in general)</td>
<td>Self-determination Health Self-esteem</td>
</tr>
<tr>
<td></td>
<td>Families</td>
<td>Disadvantages resulting from family status</td>
<td>Personal development Social participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Securing living standard</td>
</tr>
<tr>
<td>Temporarily capability-deprived</td>
<td>Unemployed</td>
<td>Risks of unemployment Active support</td>
<td>Self-esteem Social participation Employment</td>
</tr>
<tr>
<td></td>
<td>Migrants</td>
<td>Social/material sphere discrimination</td>
<td>Social participation Employment Independence Respect</td>
</tr>
<tr>
<td></td>
<td>Income-poor</td>
<td>Risks of social/material deprivation Housing</td>
<td>social participation securing living standard</td>
</tr>
<tr>
<td>Permanantly capability-deprived</td>
<td>Disabled persons</td>
<td>Social/material sphere Active support of reintegration in the labour market; Active measures of guaranteeing mobility</td>
<td>Independence Employment Personal development Social participation Mobility</td>
</tr>
<tr>
<td></td>
<td>Persons in need of care</td>
<td>Risks of social/material deprivation</td>
<td>Charity</td>
</tr>
<tr>
<td></td>
<td>Chronically ill persons</td>
<td>Risks of social/material deprivation</td>
<td>Charity</td>
</tr>
</tbody>
</table>

Source: own source
For the first group, the EU wants to maintain the status of non-deprivation. Preventing social and economic risks is the policy task here. Furthermore, the other deprivation-groups shall be supported actively. Protection measures arise from the group they are targeted toward. Certain sub-groups, however, can’t be integrated clearly in one deprivation level. Pregnant women or mothers of children under 3 for example may be classified as either non-capability-deprived or temporarily deprived. As the circumstance of having or being a mother does not restrict the possibility space per se, I would not predispose this group as capability-deprived. Actually many disadvantages arise from motherhood. These, however, should be analysed under the circumstances, in which they occur. Migrants are another group whose classification is worth discussing. The assumption of temporary deprivation seems conclusive to me for several reasons: First, migrants (of the first generation) have linguistic difficulties. Consequently, even if formal educational attainment were achieved, they can’t tap their full potential. Second, a number of institutional and economic barriers accompany these general problems for immigrants (cf. Belot and Ederveen 2005).

The filtration of capabilities is the result of looking for positive intrinsic dimensions behind the bureaucratic formulations used in EU documents. Are the identified dimensions capabilities in Sen’s sense? Can for example charity be seen as a capability? Charity, in my view, is the ability to rely on the action ability of other persons in the case of lacking autonomy. Also such things, which let people achieve advantages without active effort, may be considered as capabilities (Sen 1993). Charity therefore is one essential capability for people in need of care. Also the capability “mobility” might contain passive elements. It is about the ability to move freely, despite actual restrictions. Deprivations in this sphere especially affect permanent-deprived persons. Self-determination and independence are closely related, although some deprived groups might be self-determined despite being dependent. Self-esteem and respect are more difficult to operationalise. Their intrinsic value, however, is beyond question.

Some capabilities, such as the capability “to participate in social life” (social participation), are important for all or many groups. Political implications, however, may differ for each group. In my view the division in target groups and deprivation levels is a central step towards a capability-oriented social policy addressing these groups in a differentiated way. The general division carried out in figure 1, however, should not be considered as completed, but rather be regarded as a pattern for evaluating different levels of deprivation of several groups. This way poverty can be efficiently analysed and policy measures can be pinpointed to specific groups. In principle, European social systems consider target groups. However, different welfare regimes act differently. While conservative regimes generally react with monetary transfers to prevent poverty, the social democratic type tries to strengthen certain groups by universal measures (Esping-Andersen 1990). Operationalisation of these capabilities should therefore being carried out on a national level.

A filtration of general capabilities that are not addressed to specific target groups, can also be executed. In addition to EU treaties and documents, we should also take into consideration EU indicators of social inclusion and have a look behind the information gained through them (European Commission 2006).
The purpose is to make explicit capability dimensions, which implicitly count as valuable in the EU. Available information has therefore to be transformed in general capability-information as was done in Eiffe (2008, p.293ff). We can identify eight general dimensions. Hereafter, these dimensions will be interpreted as *meta-capabilities*. The idea behind this concept is that each meta-capability contains certain features of potentials, which should be operationalised separately. Hence, a meta-capability expresses the combination of various capabilities within one specific sphere and provides aggregated information about the capability-sets contained. Table 3 gives an overview over meta-capabilities, definitions and sub-capabilities:

Table 3: Meta-Capabilities, Definitions and Sub-Capabilities

<table>
<thead>
<tr>
<th>Meta-Capability</th>
<th>Definition</th>
<th>Contained Sub-Capabilities</th>
</tr>
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</table>
| Human dignity   | The ability to live a life in dignity and respect. | a) Personal integrity  
b) Ability to force one’s rights |
| Freedom of arbitrariness | The ability to live without arbitrary interventions in everyday life. | a) Freedom of movement  
b) Political freedom |
| Health          | The ability to lead a healthy life. | a) Health state  
b) Access to health systems |
| Education       | The ability to being educated formally and personally the way one wishes to. | a) Formal education  
b) Personal development |
| Social participation | The ability to have social contact and be part of the community. | a) Participation in community  
b) Political participation |
| Employment      | The ability to have employment or to pursue activities one is interested in instead. | a) Access to employment  
b) Informal employment |
| Housing         | The ability to have sufficient living space and appropriate living conditions. | a) Living space  
b) Living satisfaction |
| 8. Living Standard (material) | The ability to participate in economic growth and to be satisfied with one’s economic status. | a) Subjective well-being  
b) Economic participation |

*Source: own source*
A capability approach for the EU

An EU-wide operationalisation of the capabilities discussed above, should not be seen as a supranational issue of the EU. Rather our model entails involvement by actors at all administrative levels (regional, national, supranational). According to the structure developed above, I suggest a three-levelled approach: First level is operated supranationally and refers to the aggregated meta-capabilities. The operationalisation of sub-capabilities, however, takes place at level two and may vary due to central social, political and legal conversion factors in the member states. Technically the sub-capabilities will be divided into a micro level consisting of subjective information and a macro level, through which the micro level will be weighted and complemented with objective data as will be shown in table 4. Finally, at third level central target group capabilities, as identified in table 2, should be operationalised on a national level. As mentioned, policy measures vary in dependence of the national social system for each group and also the target groups themselves might differ from member state to member state.

The development of question modules and new items would be of interest for operationalising sub-capabilities. The self-evaluation of capabilities, however, is problematic, as preferences might be adapted to the situations people are living in. According to the theory of adaptive preferences, data material from questionnaires should consequently be added by further (objective) information (e.g. Sen 1987b, Burchardt 2003). Nevertheless, subjective information is an important indicator of the degree of deprivation and should be accounted for.

The capability space of meta-capabilities, which is an aggregation of the two sub-components, can now be represented as group or individual capability set. With reference to Klasen (2005) again, it should therefore be weighted and made comparable. Values of capabilities can be elicited on a scale between 1 (heavily deprived) and 5 (not deprived). The determination of the weights of each component is a question for debate and further research. If we succeed, however, in doing so, the development of comprehensive capability-indices based on a broad informational base becomes possible. In the following table I point out one way of operationalising some sub-capabilities. The micro level reflects subjective self-evaluation, whereas the macro level should add an objective component. On the right, some socio-political variable conversion factors are listed. The list is not to be regarded as complete:
<table>
<thead>
<tr>
<th>Sub-capabilities</th>
<th>Operationalisation (micro level)</th>
<th>Operationalisation (macro level)</th>
<th>Variable social (political) conversion factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of movement</td>
<td>Feeling of safety walking alone in the area near one’s home during daytime; Feeling of safety walking alone in the area near one’s home after dark; Being exposed to violence at home</td>
<td>Regional crime rate Security (city-ranking)</td>
<td>Public security measures</td>
</tr>
<tr>
<td>Political freedom</td>
<td>Being afraid of political persecution; Being afraid of publicly expressing one’s opinion; Possibility of civil commitment</td>
<td>Index of corruption Freedom of press index</td>
<td>Constitutional laws; Public censorship</td>
</tr>
<tr>
<td>Access to education</td>
<td>Level of education; Formal precondition achieved; Level of parents’ education</td>
<td>Conditions to university access (tuition fees/restricted access/etc.)</td>
<td>National school system; Scholarship availability; Legal restrictions</td>
</tr>
<tr>
<td>Personal development</td>
<td>Personal intellectual capacity; Ability to pursue activities provoking one’s interest.</td>
<td>Access to/availability of cultural institutions (museum, theatre, library, etc.)</td>
<td>Entrance fees; Public cultural offerings; Public initiatives</td>
</tr>
<tr>
<td>Access to health systems</td>
<td>Personal health insurance; Service portfolio</td>
<td>Public health insurance services</td>
<td>Compulsory insurance system; Quality of health services</td>
</tr>
<tr>
<td>State of health</td>
<td>Chronic illness; Subjective state of health; Disadvantages in ordinary activities</td>
<td>Regional pollution</td>
<td>Retention; Handicapped accessible infrastructure</td>
</tr>
<tr>
<td>Subjective well-being</td>
<td>Personal evaluation of well-being; Personal evaluation of living standard (security/development)</td>
<td>Economic development Political stability</td>
<td>Continuity in economic development</td>
</tr>
<tr>
<td>Economic participation</td>
<td>Share of personal income increase in regional economic growth; Share of monthly income in fulfilling basic needs</td>
<td>Inflation rate Regional availability of goods and services Regional economic growth</td>
<td>Extra charges</td>
</tr>
</tbody>
</table>

Source: own source
Although the capability approach rejects income as a central indicator, monetary issues still play an important instrumental role. Income can only give little information, however, about personal potential and deprivation. The crucial point against income is addressed against the implicit assumption that monetary amounts can sufficiently characterise the situation of the poor and that money can be homogeneously transformed into capabilities and functionings. As an individual conversion factor, however, money keeps its importance. The eight sub-capabilities (belonging to four meta-capabilities) operationalised as examples in Table 4, also reflect the scope between non-economic (freedom of arbitrariness), medium-economic (education and health) and economic (housing and material living standard) capabilities depending mainly on monetary resources as conversion factors. With reference to the basic capability level, the general capability level can also therefore be represented in a three-dimensional space. The meta-capabilities get classified according to their main important conversion factors. The list of variable conversion factors included in the table, is not complete, but should emphasise the importance of public action and policy measures related to enhancing capability achievements.

Trying to implement the CA on basis of available data such as the EU-SILC would mean compromising certain aspects. The concept of capability itself would be “impurified”. EU-SILC provides information about functionings only. Some capabilities, however, could be derived indirectly by combining and weighting distinct indicators. In a first step, we could elucidate the achieved well-being in each capability-dimension. Following a former proposition of Sen, the achieved level can be interpreted as implicit set evaluation, which means that the value of the set is equated with the value of the best element in it (Sen 1985e, p.88). The achieved function might then be interpreted as best element of the available capability-set. Such proceedings can be justified only in pragmatic terms. Deprivation of functionings in central dimensions can’t generally be seen as result of a free choice in Europe and can therefore be put on a level with capability deprivation in these dimensions. In order to emphasise the freedom-aspect, however, SILC-indicators can be combined to new indicators and generate further information this way. The meta-capability ‘health’, to give an example, can be divided into ‘state of health’ on the micro level and ‘access to health services’ on the micro level. The following table shows, how both sub-capabilities might operationalised on basis of EU-SILC:
Table 5: Operationalising ‘Health’ on EU-SILC base

<table>
<thead>
<tr>
<th>Meta-Capability</th>
<th>Micro indicator</th>
<th>Operationalisation (EU-SILC)</th>
<th>Macro indicator</th>
<th>Operationalisation (EU-SILC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>State of health</td>
<td>Being chronically ill AND disadvantages in ordinary activities</td>
<td>Access to health services</td>
<td>General state of health (self-evaluation) AND non-take-up rate of necessary health services (last 12 months)</td>
</tr>
</tbody>
</table>

Source: own source on EU-SILC basis

It can be argued, of course, that the macro indicator consists of a self-evaluation (general state of health) and of a functioning (non-take-up rate) and is therefore not a macro indicator at all. This is only partly true as the combination of both gives indirect information about the possibility in this space (access to health services), assuming that each set has the value of its best element, as was said before. Now both indicators have to be weighted and transformed in the ‘1 (heavily deprived) to 5 (not deprived)’-scheme and aggregated to the meta-capability. Such a method, however, could be used to slightly change the perspective and to create new indicators with intrinsic capabilities in mind.

4. Implications for a Capability-oriented Social Policy

Capability applies to very different aspects with reference to individual as well as to collective levels. These aspects covers a scope from “on-the-job employability” to “lifelong learning”, the prevention of social and economic risks, balance between professional and private lives, and last, but not least, active and social security (Salais and Villeneuve 2004, p.14). Economic and social arrangements and welfare institutions shape the social opportunities in the member states. Unemployment, illness and disability, low income etc. have different impacts depending on the concept of the prevailing welfare state in the country in question. The economic- and socio-political status itself highly influences social risks. A capability-based evaluation of national social security systems therefore is the first challenge on the way to a social policy concept for an EU capability-policy. The first question to be asked is, where to begin the prevention of capability deprivation. Many welfare institutions today focus on financial benefits in certain situations. Monetary transfers count among the most important measures to reduce (income-based) poverty. Poverty reduction through monetary transfer, however, varies between 13% in Greece to 62% in Denmark and Sweden (Adelantado and Calderón Cuevas 2006, EUROSTAT 2005). A capability-based social policy has to prevent capability-deprivation through socio-political arrangements. Although there is no question that transfers affect poverty negatively, preventive action should be explicitly focused. Barriers of effective participation must be as far as possible reduced. In contrast to neo-liberal approaches:
“Capability theory [...] insists on paying regard to the institutional preconditions for the effective participation of individuals in market activities. Contrary to neoliberalism, these are not limited to the provision by private law, of contractual capacity or the right to hold property, but extend to collective mechanism for the sharing and distribution of social risks arising from the operation of markets. [...] The EU, which already recognises that social rights have a place within an integrated market order, is ideally placed to play a central role in this process.” (Deakin 2005, p.20)

The generation process of capabilities is highly dependant on conversion factors. Social and personal conversion factors, however, have to be kept apart. Capability-based social policies must focus on such factors that can be varied by the political measures put forward. Whereas the field of commodities refers to traditional provision policies by the state, it is now important to examine how income allocation can contribute to improving the possibilities of participation. As Raveaud and Salais (2001) note, traditional forms of welfare policy sometimes initially cause social exclusion. The majority of single mothers work part-time with a salary below the monetary poverty line and consequently become dependent on publicly provided special payments or minimum incomes. As the social expenditure for this group rise heavily, arguments against welfare recipients and the development of a non-working underclass are supported (Martin 1996). Society and the state finally determine if limited personal conversion factors and low income result in a deprivation of important capabilities or not. Thus, the line of action for social policy can be drawn as follows:
A capability-oriented social policy aims at enhancing individual and collective possibilities. Those personal and social conversion factors, which can be varied by the institutional arrangement, are to be filtered such that the conversion process will generate enlarged capability-sets. This sounds abstract; however, there are precise implications, such as handicapped accessible facilities: That way, despite their disadvantages handicapped people can easily participate in the social sphere. The social exclusion of disabled persons is often based on their inability the impossibility to participate in normal social life as well as in the market processes. The invariant factor “physical damage” can be reduced in its significance for capability-generation by varying some essential social conversion factors. Improving infrastructure is the first thing to do in many cases: “Reduced mobility by the social system as such” is an example of an invariant social conversion factor. In order to convert such factors into variable dimensions, a exhaustive social restructuring process is required. In the long run, welfare programs must be improved and rearranged with this purpose. In the short run, however, the aim is to remove disadvantages of particular groups in the public and private space or as Reveaud and Salais remark: “A fair system must furnish the means to achieve effective freedom to act” (2001, p.54).
A serious implementation of the CA, however, is a mission. Social science must provide approaches, which are theoretically well-grounded and empirically applicable. After that, of course, not just politics, but all connected institutions and organisations should be involved in this process. Sen has emphasised the importance of NGOs and other welfare institutions in promoting a “capability-turn” in social policy. Furthermore, an application of the CA must be combined with a comprehensive evaluation of the possibilities and restrictions of social institutions. There are also economic grounds for the argument that the capability-perspective is advantageous: First, the targeted precision can be improved and second, means can be used more efficiently and effectively.

Human beings and their personal history of development are at the centre of such a policy. Counterfactuals play an important role here: What could I have done? Such a question widens the scope of analysis and draws a more detailed picture of the possibilities society provides. Public policy should guarantee that technical change does not threaten the capabilities of those who are worst off, but that everyone benefits from such developments. Access to the internet – as put forward as an example by Raveaud and Salais (2001, p.61) – is neither assured by money transfer nor by the provision of a computer, but by aided training and instruction courses only. This is a clear illustration of varying personal conversion factors, by which capability-sets can be enlarged. Capability-oriented social policy implications for several social and welfare systems in Europe will be an important issue in the future and might be an incentive for future research.

An examination of the subsidiarity principle and its restrictions might be of interest against this backdrop. EU member states obviously will continue to remain at the wheel in certain policy fields. Co-operation and co-ordination of social protection policies between member states therefore become more and more important. Fouarge states that “this need emanates from the lack of instruments available for the member states to correct for economic shocks as the EMU consolidates and from the probable increase in low-skilled labour mobility in the wake of the EU enlargement” (2004, p.201). The capability-perspective thus becomes the challenge for the new century.
5. References


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