The Challenges Facing Social Security Systems

The Lessons Europe Can Learn from the World’s Developing Systems

Theme 2: Social Security – The Way Forward?

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Introduction

My thanks to the XXI Congress organisers for my invitation to speak.

Our General Reporter has reminded us of the wide spectrum of social security schemes in operation. At one end of that spectrum they may offer little more than ‘the most basic social security’. At the other end are the Welfare States with welfare-led regulatory interventions, ‘contribution’-based and tax-funded schemes. Many are being hit by austerity and cuts. Between these polar opposites is an emerging third force: countries with vigorous growth, or growth potential, offering newer approaches. It is mainly those systems to which I will return to consider possible lessons for Europe.

It is difficult to imagine how labour markets and labour law institutions could function without the support which social security systems provide. This was an enduring theme of early commentators like Hugo Sinzheimer, and more recently Simon Deakin and Frank Wilkinson, Gösta Esping-Andersen, South Africa’s Lesotho George Mpedi and Marius Olivier, and China’s Joe Leung and Yuebin Xu. However, exacerbated by post-2007 crises there are many new challenges to face: systemic unemployment, falling productivity and wages, weakened redistributive and collective mechanisms, a prevalence of part-time, short-term, and casual work, and the newer phenomenon of underemployment. These are putting significant pressure on systems. These have now become part of the problem - so what solutions are needed? Plainly, Europe needs effective social protection floors of the kind envisaged by the Bachelet Report 2011 and ILO Recommendations in 2012, just like other countries. It also needs to deal with the ‘gaps’ Bachelet referred to when commenting on the specific needs of European systems (Bachelet, 2011: 30). What were gaps are now sizeable holes, even if some of the better funded and designed systems have fared better (Mai, 2013).

Plainly, social security and labour law institutions must work effectively and in tandem. This means social security systems must have effective design features and secure funding. On the labour side of the employment/social security interface there must be fair, balanced responsibilities between the State, employers, and individuals. This may require better redistributive mechanisms, collective bargaining, and national and sectoral minimum wages/conditions-setting, as the ILO has stressed.

Linking this to the Decent Work agenda, and developing points from my keynote paper at the ISLSSL XI European Congress of Labour Law in September 2014 in Dublin (‘Social Security and State Support for the Wage-Work Bargain: Reconstructing Europe’s Floor of Social Protection’) (1), my central argument is that it is still labour market institutions and legal interventions to which we should look, primarily, to ensure that a job really is the ‘best form of welfare’. Whilst effective State support and other sources of ‘security’ are important, measures to maintain wages, close gender and equalities gaps, and otherwise maintain Decent Work standards, should be the centrepiece in any effective social protection floor.

Better forms of social insurance and assistance of the kinds developed in Asia and China will be important, too, and reference will also be made to the positive features of schemes like South Africa’s social grants systems, Brazil’s Familia Bolsa, and India’s Rural Employment Guarantees, MGNREGS and RSBY programmes.

At the outset, though, I would like to consider Social Security’ inter-action with Labour Law.
Social Security Systems’ Support for the Labour Market

Our debates today will focus on ‘problems and solutions’. Nevertheless, it may be useful at the start to revisit some theory before addressing policy and operational dimensions.

This is the fifth World Congress of Labour Law and Social Security I have attended. Each time I have wondered how, if Labour Law and Social Security Law are the two pervasive strands of our programmes, the two systems map on to each other and interact?

The explanation, I believe, is pretty clear, and no more so than at this time when labour markets and labour systems have been plunged into crisis in the aftermath of successive financial, economic, and other crises since 2007. In its widest sense social security is concerned with citizens’ welfare. Part of that focus, as early commentators like Hugo Sinzheimer have suggested, is to support the employment relationship and help to cater for labour law systems’ shortcomings. In practice this can be at all stages of the employment relationship’s life cycle - before, during, and after employment. Sinzheimer went further. He argued that social security, and the support it should provide, should be seen, necessarily, as part of the legal regime governing employment (Sinzheimer, 1927: 108): a difficult proposition given the systems’ distinct roles, and the Public Law nature of Social Security (in contrast to employment’s largely Private Law orientation). For an increasingly large proportion of the labour market, work is founded on two relationships – those between employer/employee and State/employed citizen. Especially for those supported by in-work State benefits, tax concessions, etc employment is, conceptually, more akin to a wage-work-welfare bargain (Puttick, 2012b).

I recollect how during the XVI Congress in Jerusalem in 2000 the organisers, with the assistance of the then Justice Minister, Yossi Beilin, arranged for me to sit in with the Jerusalem Labour Court judges. As an experienced tribunal judge in the UK I was interested in seeing how tribunals in Israel worked. I observed a case in which the claimant, a Palestinian teacher, was complaining about successive attempts to gain ‘permanent’ status. As I recall, she had worked over a long period on successive short-term contracts. This left her by the end of each period of work in a somewhat precarious position in terms of job security, income, and conditions. Her case was partially successful, although there were some limitations in terms of restitution. An issue which puzzled me was how, at times when she was off the pay-roll and not receiving a full wage income, did she survive? How did she and her family and other dependants during periods without wages make ends meet? The answer was ’with difficulty’: a problem in a lot of other jurisdictions, too, and increasingly so in the face of the rise in short-term work, casualization, and periods when wages are not received.

In the Palestinian litigant’s case, I understood much of her support came from her family and other non-State sources. Such family and community networks are, of course, vital parts of the overall social protection floor (ILO, 2010: 13) inter-acting with provision by the State and regulated markets.

Before considering those sources further, it is worth looking some more at the theoretical basis of social security systems’ role, before linking this to later points about the problems we see on both sides of the labour/social security interface. As I have said, Sinzheimer was an advocate of labour law and social security law integration. He also put forward coherent arguments as to why labour law and social security law should combine to redress the imbalance of power in the employment relationship. One aspect of this, and which in the modern era has helped to inform the Decent Work agenda of the International Labour Organisation (ILO) and its values, has been Dignity.
‘Dignity’ in Employment and Social Security Discourses

Sinzheimer’s influence as an early proponent of Dignity discourse has been immense, and has been felt in many parts of Europe and world-wide. Indeed the university institute to which I am affiliated, the Institute of Industrial Law, is very much committed to aligning the disciplines of labour law and social security law, particularly in its programme of Work and Welfare conferences and workshops since 1995. In 2005, for example, we linked a number of components of the IILS’s Dignity at Work national conference that year to aspects of Sinzheimer work, including the role played by social security in making a reality of the labour and social security law disciplines’ integration (IILS, 2005). As the General Secretary of the UK’s Trade Union Congress, Frances O’Grady, noted in her paper at our conference, a trade union perspective on workplace rights needed to embrace a lot of aspects of this - not least the worker’s ‘voice’, dialogue, and measures to counter newer forms of discrimination, including age discrimination. Plainly social security is a core element in the functioning of employment, particularly as State social security schemes are increasingly delivering much of the support (and costs). Those schemes are not just reactive, in supporting groups like incapacitated workers. They have an increasingly important enabling function, supporting groups on the periphery of the labour market. This theme featured in the TUC’s ‘Modern Rights for Modern Workplaces’ agenda, and informed policy on matters like minimum wage enforcement, the role of State schemes’ support for welfare-to-work, and employment retention.

Distinguished commentators on Dignity discourse, including Prof Manfred Weiss - who is also speaking at this year’s World Congress - have noted how Sinzheimer provided a number of insights which ‘became a driving force for labour law regulation’. However, one of these – the need for Social Security to be part of Labour Law has not succeed. Indeed, as Weiss has observed, this is not even reflected in German universities’ curricula; and Labour Law is ‘still conceived as an annex of private law and social security as part of public law’ (Weiss, 2013: 44).

Commenting on these last points, I doubt if the Public Law nature of social security still poses a problem in most European countries. I would imagine that there is now much more convergence of the two systems than in the past. Certainly, in the UK and Ireland it would be difficult for most Employment Law lecturers to lecture on the subject of wages and the wage-work bargain without at least some consideration of the impact of State in-work systems of support – especially on less well paid workers. As a group have to look increasingly to the State for support, including assistance from raised tax thresholds, benefits transfers, help with housing and legal costs, and so forth.

Most European States have become both regulators of the employment contract and purveyors of a social wage component in overall ‘wages’, and it would be surprising if Employment students and lawyers did not have some knowledge and understanding of the inter-action between Employment Law and Social Security - if only to enable them to advise effectively in a range of situations. Awareness of State social security support systems before, during, and after employment is increasingly at the core of many Employment lawyers’ practice. Typically, in the scenario in which a client has been dismissed his or her first question, when faced with coming off the payroll in a week’s time, is unlikely to be ‘can I win in the employment tribunal?’ It is much more likely to be who will pay my rent, and how will pay for food for my family when my wages stop next week?

Besides savings, family support, etc the answer will generally be the State and social security.
Deregulation, Costs & ‘Wages’

At a time when we are seeing the progressive deregulation of labour rights in much of Europe - in other countries too - we are seeing social security systems taking on many of the costs and on-costs of employment, and particularly less secure employment. Arguably, this is just a continuation of a function that the State and social insurance systems have always performed as an adjunct to the development and operation of modern labour markets.

In this respect, commentators like Simon Deakin have made valuable points about the role that the two systems have played in their evolution, and in supporting each other. For example, he has noted how social insurance schemes have had a ‘market constituting role’. This is particularly evident, Deakin has argued, in the economic environment of transitions to industrialisation and the need for wage labour. In this regard, systems provide incentives to labour market entrants to operate in the formal and capitalist labour market as employees instead of operating as ‘own account’ and ‘semi-dependent’ workers in the informal sector. Social insurance systems also provide other incentives, including sources of income as an ‘alternative to wages’ – typically in the form of unemployment compensation and retirement pensions. For that reason, he suggests, schemes could also be said to have contributed to the ‘decommodification’ of labour in the sense of removing it from the orbit of the market – something described by Karl Polanyi in The Great Transformation (Polanyi, 1944: 177).

However, whilst social insurance schemes may work well when other mechanisms operate to ensure a degree of employment ‘stability’, they undoubtedly come under pressure in periods of prolonged high unemployment. Furthermore, as Deakin suggests, their stability is increasingly threatened with ‘the growth of precarious work’ (Deakin, and Wilkinson, 2005: 162-3; 175-195). Deregulation becomes problematic – particularly when it puts pressure on insurance schemes by narrowing the ‘contributions base’, removes or weakens wages and other employment conditions ‘floors’, and produces new classes of benefit claimant including the ‘working poor’ (Deakin, 2013: 165-167).

The ILO’s Analysis of Trends

These points are reflected in recent experience of labour market trends world-wide. The ILO’s World Protection Report 2014/5 has said: ‘Recent employment trends have increased the pressure on social security systems to ensure income security for persons of working age’.

The trends they have been particularly concerned about are the higher risks of unemployment, underemployment and ‘informality’, the increasing prevalence of precarious forms of work, and ‘dwindling real wages and inadequate wages leading to persistently high proportions of working poor’ (ILO, 2014: 26).

Unfortunately, much of what Europe has come up with, in response to declining employment standards, low wages, and so forth, seems to be rather more aspirational than helpful. The Global Jobs Pact (ILO, 2009) for example has highlighted the importance of boosting effective demand through the use of ‘stimulus packages’, State benefits (or ‘partial’ benefits to support reduced working time), and interventions to maintain wage levels to help avoid downward wage trends. This may be helpful at times when the labour market is underperforming, for example in the face of deflationary spirals – but in the longer term, I suggest, solutions are more likely to remain focused on economic conditions, core problems like low productivity, and the durability and quality of work.
**Austerity & Cutbacks** Needless to say these have made the challenge in this key area particularly problematic. That would certainly be the view of commentators from countries like Spain which have had to live through the full impact of austerity - coupled with neo-liberal agendas and deregulatory programmes and their effects (Banyuls and Reccio, 2012; Baylos and Trillo, 2013).

Before that, I would like to share some thoughts on the subject of what social security is, exactly, and how it supports the employment relationship in the modern era.

**What is ‘Social Security’?**

Methods of support, and harnessing the resources to provide it, may vary considerably between countries and systems – even within the liberal, democratic, and corporate Welfare State models identified by Gösta Esping-Andersen (Esping-Andersen, 1990; Esping-Andersen and Myles, 2011). Nevertheless, core aims and objectives generally are generally the same. At the heart of the subject are the pervasive themes of shared resources, risk, and insurance.

Allowing for some reconfiguring as a result of austerity, emerging trends around newer ideas such as ‘Social Europe’ (Pissarides, 2014), and factoring in the important models and developments being seen in India, East Asia, and China - many of which did not feature in the Esping-Andersen typology (Leung and Zu, 2015: 9), the focus of most systems is firmly on the measures taken by the State to promote citizens’ welfare. In the global era, and with the growth in cross-border movement for work and residence, support from social security systems has also become important. In this case, though, social security is less of an entitlement deriving from citizenship or membership of host communities (Walzer, 1983: 33), and based more on expectations of ‘contribution’ and ‘reciprocity’ as a condition on take-up: a phenomenon we are seeing, increasingly, in Europe. Indeed, EU Law has adapted to this, making it clear in recent leading cases in the Court of Justice of the European Union like *Dano* that host communities can expect new arrivals to be either economically active or have sufficient resources of their own before they can expect social assistance; furthermore, the new EU Charter of Fundamental Rights, whilst assisting groups who previously participated in the labour market, does nothing for those who are ‘economically inactive’ - even if they have EU citizenship (Puttick, 2015).

**Social Security in Economic Management: Stabilizers and ‘Cushioning’.** Clearly, modern social security programmes are not just about philanthropy and assisting the less well advantaged. They are also an important tool of economic management conferring advantages on a wider group of stakeholders, and serving the needs of the political communities and systems that manage them. In terms of economic policy, as the ILO’s World Commission on the Social Dimension of Globalization in 2004 put it succinctly, ‘a minimum level of social protection needs to be accepted and undisputed as part of the socio-economic floor of the global economy’ (ILO, 2004: 110). Social security systems, when they are functioning effectively in terms of allocative efficiencies, and avoiding or minimising distorting the effects they can have on labour market institutions - labour supply, wage differentials, savings, and the like (Barr, 2012: 10) - also play a vital role in maintaining aggregate demand. For that reason, besides their ‘cushioning’ effects in supporting workers, businesses, and families, when economies weaken spending on social security generally needs to go up as part of wider ‘stabilizing’ and ‘stimulus’ measures (Stiglitz, 2009: 4-13). In the bigger picture, social security schemes in times of crisis and in their aftermath perform a range of functions. Income replacement is just one.
ILO Definitions & Approaches

ILO definitions and approaches to social security have broadened in recent years, largely in response to changing needs. We have been seeing this in the aftermath of post-2007 crises.

In 2010 it still saw social security essentially as ‘all measures that provide benefits, whether in cash or in kind, to secure protection, inter alia, from

- a lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member
- the lack of access or unaffordable access to health care
- insufficient family support, particularly for children and adult dependents
- general poverty and social exclusion’ (ILO, 2010: 13)

Newer Approaches. Since 2012 the ILO’s stance started to change. By then it was seen as necessary to factor in, more overtly, the role of systems operating on the labour side of the labour-social security interface - particularly minimum wages and conditions systems. Whilst these are by no means new, their role as part of the wider social protection floor was prompting new thinking.

In 2012 a review was carried out of ‘changes in the level of minimum wages during the crisis with respect to their potential to avoid deflationary wage spirals, and protect the purchasing power of low-paid workers...’ The conclusions in Social Protection and Minimum Wages Responses to the 2008 Financial and Economic Crisis were significant. They highlighted some important differences of approach, with some countries, including the USA, making full use of regulatory interventions as a means of maintaining an effective wage floor. Other countries, too - but by no means all - saw this as an element in the overall social protection picture (Bonnet, Saget, and Weber, 2012).

With these points in mind, what are the main sources of social security? The issue is important, I believe - particularly given the argument that a job, assisted by the Decent Work agenda and statements like the other labour standards, must still be seen as the primary source of income and other forms of ‘security’.

The Main Sources of Social Security

Most Welfare State models put employment, and the income security, occupational benefits, and other forms of ‘welfare’ that derive from a job, at the heart of social security. Furthermore, having a job can be as much an ‘equalising force’ as other forms of redistribution; and this was certainly one of the underlying assumptions made by architects of modern State social security like William Beveridge after World War II (Beveridge, 1942; Barr, 2012: 6).

However, this was predicated on assumptions of growth, productivity, and near-full employment levels, coupled with redistributive mechanisms that avoided the kinds of problems, including low wages and growing inequalities, which now characterise many labour markets.
Employment, Contribution-Based Insurance & New Directions for ‘Social Security’

Full employment in the 1950s and 1960s, or something much closer to it than we see now, continued to inform a preference for contribution-based systems over non-contributory schemes or ‘social assistance’ – notwithstanding acceptance of the need for non-contributory forms of support in the 1930s and in the era of mass unemployment. Nevertheless, transitions away from social insurance and contribution-based schemes, and towards wider-ranging concepts of ‘social security’, were already under way in the World War II period. As the authors of The ILO and the Quest for Social Justice 1919-2009 put it, ‘social assistance was no longer seen as inherently inferior’. Indeed, the ILO sought to reconcile the tensions between social insurance and social assistance (the ‘two strategies’) when it said ‘Both approaches are needed in a complete programme of social security’ (ILO, 1942) (3). Since then, demographic changes, ageing populations in parts of Europe, and labour market transformations, have continued to dictate more comprehensive forms of protection.

A job remains a cornerstone of modern security – particularly if it also enables a portion of wages to meet the cost of insurance, including income replacement, and pension rights on retirement – a form of deferred remuneration. Indeed, contributory systems in a lot of countries continue to be the bedrock of a functioning social security system. However, most schemes are predicated on an assumption that people will be in the kind of jobs that enable payments on a pay-as-you-work basis and that scheme members will have sufficient resources to enable contributions to be maintained (credited contributions) if wages do not, in fact, continue across the beneficiary’s life cycle. It was also assumed that periods during which income replacement was needed would generally be short and helped by ready access to new employment if needed. I will come back to this when considering contribution-based social security and when looking at modern systems’ sustainability in the face of labour market transformations. Besides wage income, a job is also the source of potentially valuable occupational benefits that derive from the employment bargain. In better times these, too, went a long way to obviating the need for other sources of support, including the State. I have in mind the replacement income and other kinds of assistance deriving from the employment contract.

Has this not always been a feature of the wage-work bargain, reducing the need for State support?

Less Occupational Benefits, More Transferred Risk (and Cost). Such support features less and less among the benefits provided by employers. The shift of these kinds of responsibilities away from the employer has been evident in many European systems, and is often a likely consequence of weaker distributive mechanisms, and less centralised bargaining (Eurofound, 2014). This featured in debates at last year’s ISLSSL European Congress of Labour Law and Social Security in Dublin, aided by helpful statistical analyses provided by one of my rapporteurs, Christian Welz of the EU’s Eurofund, and commentary from the Chair of the Theme III session, Prof Gerry Whyte of Trinity College Dublin. Arguably, whilst the State may have key responsibilities for social inclusion and citizens’ welfare (Whyte, 2015), surely this is a responsibility shared with key groups like employers?

Despite mostly negative impacts, some transitions have had positive features: eg consistency, no fault compensation, better benefits, as the UK saw after the move from employer-based liability to a State industrial injury benefits scheme (Lewis, 1987).
The transfer of risk, responsibility and costs away from employers is not just a European phenomenon. Some commentators on China have noted, for example, how responsibilities for workers’ welfare in key respects, including displacement costs, have transferred away from the former State enterprises and on to the State. Subsequent moves away from social insurance and towards dependency by sizeable groups on large-scale social assistance programmes – mirroring Europe’s experience – has been a feature of China’s development (Leung and Xu, 2015: 87).

**Is a Job Still the Best Form of ‘Security’?**

Unfortunately, the answer in a lot of countries has to be ‘no’ – at least while there is poor wages and conditions floor, and without adequate State support to support deficits in that floor.

A key problem is that a job at the lower end of the wages spectrum is increasingly unable to deliver the ‘security’ needed by workers and their dependants. This includes the costs of essentials like housing, food, and income. Meeting such basic needs will help prevent people joining the ranks of those in absolute or relative ‘poverty’, or being at risk of poverty. In Europe, as wages and conditions floors have deteriorated, regulatory interventions in areas like rented housing costs have diminished, and social security systems have been unable to make up the deficit. We have seen the numbers of Europeans and Europeans’ households at risk of poverty rising significantly. Worse, as the EU has observed in a report for the G20, in-work poverty has also risen, partly reflecting the fact that those who remain in work have often been working fewer hours and/or for lower wages (EU Employment Plan, 2014: 4). Eurostat identifies a person ‘at risk of poverty’ as someone who is ‘living in a household with an equivalised disposable income below the risk-of-poverty threshold’: this is 60% of the national median equivalised disposable income after social transfers (Eurostat, 2015).

According to the EU Commission, tracking the European Union Statistics on Income and Living Conditions, and taking into account factors like average wages, household income, income differentials, and the Gini index, one in four EU citizens is at risk of poverty or social exclusion (EU Employment Plan, 2014: 4). With some exceptions (notably Denmark) it is mostly only the Scandinavian countries, with their lower income differentials, better wages floors, and more comprehensive social benefits, that have been beating this trend, with levels below the 25%+ ‘at risk’ EU-28 average. The position of most of the Scandinavian countries like Norway (showing less than 15% of people in low income households or ‘at risk of poverty’) compare starkly with Europeans at the other end of the scale. These include Latvia, Greece, Romania and Bulgaria, with over 35% people in low income households and at risk of poverty (FTimes, 2015).

**Weakened Wages ‘Floors’ & Labour Market Institutions**

In the European context, the wages part of the European ‘floor’ was not performing particularly well even before the onset of the crisis: this was, in part, the result of declining growth and productivity (Whittaker & Hurrell, 2013). In the aftermath of the post-2007 crises this part of the social protection floor was hit very hard. The position is improving, but only marginally so. Indeed, even in 2015 wages in many sectors are still well below 2007 levels (ILO, 2012/13 and 2014/15).
The up-to-date position is variable, but pay and occupational benefits levels in many sectors remain stagnant and sluggish across much of the EU - notwithstanding a fragile recovery and some modest signs of improvement. Living costs have continued to rise, however. Although there has been some evidence of wage improvements in some sectors, this is by no means the general picture.

At the same time purchasing power has received a modest boost in some parts of the EU, although much of this is just a result of deflationary trends (Aumayr-Pintar/Eurofound, 2014). The EU Commission said this at the end of 2014, noting concerns expressed by G20 leaders about the European labour market, the growth of in-work poverty, reduced hours, and lower wages:

‘Nearly a quarter of the EU population is at risk of poverty or exclusion, with the biggest increase among those of working age as levels of unemployment and the number of jobless households have increased. In-work poverty has also risen, partly reflecting the fact that those who remain in work have tended to work fewer hours and/or for lower wages. Children in such households are also exposed to increased poverty. The uneven impact of the crisis within, as well as between, EU Member States has recently seen rising inequality, with the effects being most felt by the lower income groups who were the hardest hit by job losses. A growing divergence is evident across the EU with two thirds of Member States seeing increased poverty, but one third not. Since 2010, household incomes have been declining in real terms and, the stabilising effect of social transfers lessened significantly after 2010’ (EU Employment Plan, 2014: 4)

**Weakened Collective Bargaining.** European employment, and the wage income component of the floor, continues to feel the impact of weakened labour market institutions including collective bargaining, minimum wage regulation (national and sectoral), and other redistributive mechanisms that have in the past helped to maintain an effective wages floor. Despite some UK sectors bucking the trend and ‘surviving’ – mostly in public services, and local government (Beszter et al, 2014) - countries like the UK have seen a steep decline in collective bargaining. Furthermore, despite a fragile recovery, unemployment is still high and has started to rise again this year. In the face of such trends, the EU sees a need for growth promotion and active labour market measures (EU Commission, 2015). Whilst for most of Europe the major determinant of wages remains collective bargaining – despite progressive falls in union membership in countries like the UK (Wanroy/WERS, 2014) – decentralised bargaining has impacted negatively on wages and conditions levels in some sectors. This has been aggravated by austerity measures, and cutbacks to States’ in-work and other social security programmes. This has been particularly problematic in those countries affected by the sovereign debt crisis which has been a continuing catalyst for deregulation of Europe’s labour law regimes - especially in countries affected by debt restructuring (Barnard, 2012).

However, the problem is not confined to Greece. In France, for example, the combined effects of labour reforms (directed at modifying the perceived ‘rigidities’ of the labour market) and what some commentators have seen as an ‘improperly dimensioned’ social security system - ‘sometimes too generous, sometimes inadequate’ (Pagnerre, 2014) – have started to impact on both the occupational and social wages of workers and their families.

Among other developments, mirroring developments in the UK in relation to cutbacks in the 2015 Budget to in-work tax credits, France’s main in-work support scheme, the Revenu de Solidarité Active (RSA) – a system that can deliver a sizeable addition to mainstream contractual wages (Bourgeois and Pavan, 2009) - has come under sustained attack for its ‘missed targets’ (Landre, 2014). It could easily become an early casualty of the labour and social security reforms expected in 2016.
The USA: Tax Credits & Social Security. In countries like the USA which make extensive use of tax-based systems like the Earned Income Tax Credit it is clear that such support is helpful and is set to continue. However, as leading commentators like Anne Alstott have regularly pointed out, there are some significant limitations to such tax-based systems (Alstott, 1995; 2010). Other social security programmes have been developed, helped by massive funding for social security programmes since the American Recovery and Reinvestment Act of 2009 - much of it directed as the Act says as ‘aid for low income workers’. Interestingly, some economists, including Nobel prize winner Paul Krugman, have argued for even further support for such spending (Krugman, 2009). Despite similar support in Europe we have not seen significant improvements in overall labour market conditions (Eurofound, 2014b) – although we could speculate about how things might otherwise be without such support!

Increasing Pressure on Social Security

Clearly, if labour conditions deteriorate there will be increased pressure on social security systems. The ILO’s World Protection Report 2014/5 observed that: ‘Most people seek income security during working life in the first instance through participation in the labour market. Income security is strongly dependent on the level, distribution and stability of earnings and other income from work … Recent labour market and employment trends have increased the pressure on social security systems to ensure income security for persons of working age. These trends include in particular higher risks of unemployment, underemployment and informality; increasing prevalence of precarious forms of work; and declining wage shares, dwindling real wages and inadequate wages, leading to persistently high proportions of working poor.

In the light of these observations, it is very clear that income security cannot be achieved by social security alone. Social protection policies need to be coordinated with well-designed policies to address these challenges in the fields of employment, labour market and wage policies, with a view to alleviating excessive burdens on national social security systems and allowing them to work more efficiently and more effectively.’ (ILO, 2014: 26). Part of the problem lies on the labour side, with employers needing to deliver wages and occupational benefits at appropriate levels (which requires a focus on distributive mechanisms).

Employers’ Responsibilities: Low Pay

As far as the costs being picked up by the social security system (and related issues of resources) are concerned, it is at least arguable that many of the costs associated with deregulation, and labour transformations we are seeing, such as increased casualization, informal working, and abuse of employment status (particularly when this is used as a device for avoiding regulatory costs), are avoidable. Often, there is no good reason why employers should be employing staff on an agency work basis, particularly when they may be doing the same or broadly similar work, but at significantly lower pay rates. This was an issue in the profitable automotive industry when agency workers took action in protest at being put on agency rates, despite doing the same work as better-paid full-timers (Bentley, 2011). Such arrangements, if resulting in low pay, inevitably put pressure on State in-work support systems. Research by the Resolution Foundation has been showing how minimum wage levels, instead of being just that – minimum levels – have a propensity to become ceilings (Bain, 2013): even when it is evident employers may be able to afford wages at higher levels.

Not surprisingly, perhaps, minimum wage floors have tended to be over-cautious and set minimum wage rates at low levels in the face of concerns about the potential negative impact on labour costs, new job creation, and implications for differentials in pay structures. Rises for the lower paid at the bottom end may inevitably mean costs in maintaining the value of higher rates in structures.
The Problem of In-Work Support: Employer Disincentives

Unfortunately, in-work social security schemes can and do produce a disincentive for employers to raise wages to levels higher than they could (and should). As a result the cost to the community of State support (income transfers, etc) may be much higher than it needs to be.

There’s Quite a History…!

When the UK’s Poor Law started to subsidise the low wages in the early 19th Century, particularly those of agricultural workers, people like the political economist and philosopher John Stuart Mill railed against it and the risks he identified. More precisely, he said warned that by enabling employers to ‘throw part of the support of their labourers upon the other inhabitants of the parish’ such subsidies risked depressing wages and ‘pauperizing’ the working population (Mill, 1838: Book 2, Ch XII). Similar objections and concerns were directed by welfare economists at Earnings Top-Up, the forerunner of the UK’s main in-work support system, the Working Tax Credit. The Conservative government took this seriously, and undertook to monitor employers’ wage-setting behaviour ‘very carefully’ (DSS, 1995: 2.19). However, the warnings went largely unnoticed. Since then, systems have expanded massively, and now assist sizeable sections of the labour market (Puttick, 2012b: 237).

Recent Developments: Is the UK Rolling Back In-Work Support? What goes around comes a round. Or so they say! This summer in the UK’s Summer Budget 2015 we saw signs that the new Conservative government has started to look more closely at the wage side of the ‘floor’ (Budget, 2015). However, despite introducing a new National Living Wage there are also significant cuts to in-work social security support. The Institute of Fiscal Studies (IFS) and Resolution Foundation - our leading think tanks on the economy and such issues - have been critical, noting that the rise minimum wages will not prevent sizeable falls in household income resulting from the social security cuts (BBC, 2015; IFS, 2015a; 2015b).

A key change means the threshold at which in-work tax credits start to reduce has reduced from £6420 to £3850, resulting in 3 million families taking an income cut of £1000 a year, and 12 million other families receiving smaller cuts (Resolution Foundation, 2015a; 2015b).

Nor are many employers happy. As the Director of the IFS has suggested, by raising minimum wages as the government is doing it is betting on employers being forced to improve ‘productivity’ through training, greater investment, or simply passing on the costs on to consumers as ways of funding the costs and on-costs. He likened this to a ‘bet’ which could go badly wrong, resulting in job cuts and other negative consequences (IFS, 2015c).

Plainly, the renewed attention on the wages and occupational benefits floor is welcome – particularly as reports from the Resolution Foundation like Low Pay Britain 2013, and Fifteen Years Later, have been saying that there are some significant sectors where pay levels could and should be higher (Whittaker and Hurrell, 2013; Plunkett and Hurrell, 2013).

Other countries, including the USA, have also been raising minimum wage levels, but to higher levels, taking into account their particular circumstances. In the bigger picture, countries have not just recognised the importance of Decent Work. They also recognise the need for fair, balanced responsibilities between the State, employers, individuals, and other stakeholders – but how in practice can that be achieved and community’s, and taxpayers’ interests be better protected?
The Decent Work Agenda: ECOSOC 2015

These points link closely to Decent Work. This featured strongly in debates at this year’s United Nations Economic and Social Council conference (ECOSOC, 2015) – for example in the session ‘At Work in Africa’, to which South Africa’s Minister for Development, H.E. Ebrahim Patel, contributed.

ECOSOC, African Union’s Agenda 2063 & Decent Work. Among other things, it was made clear that much of the focus of the African Union’s transformative Agenda 2063 programme, including investment, growth, and job creation, coupled with anti-poverty and social inclusion measures, will need to allocate the burdens fairly between stakeholders. Furthermore, Decent Work standards, including the values set out in the African Charter on Human and Peoples Rights. They should be at the heart of the quest for long-term, sustainable social and economic development: and not just sit uncomfortably on the periphery of debates on growth, social justice, and social protection floors.

The G7, ‘Enabling’ Discourse & Equalities These themes were revisited later this year, and featured strongly in the priorities set leaders of the G7 when they met in Germany. Interestingly, the enabling and capacity-building functions of both labour and social security programmes was seen as an essential component in promoting growth and effective ‘floors’. This figured sharply in one of the German Presidency’s ‘priorities’. A need for improved training programmes to facilitate opportunities for women to enter the labour market, assisted by targeted social security support, was identified by Mrs Merkel, Chancellor of Germany.

She saw this as essential in raising women’s labour market participation rates, with one of the spin-offs being reduced dependency on social assistance programmes (Merkel, 2015: 2).

The Fiscal Cost of Pay Inequalities: Should Employers be Doing More?

The question has been asked in a number of contexts – but it has also been identified by European leaders in national contexts. The UK’s Prime Minister, David Cameron - not usually considered a leading advocate of equalities - recently made the case for employers to do ‘more’ to close the gender gap affecting many UK women. The problem is particularly severe, impacting on all workers in ways that are particularly problematic for those in the bottom third of the pay scale. Observing that, on average, women earn 80% of male wages, he called for swift action to address this, proposing legislation requiring companies with more than 250 staff to report on gender gaps’ and to name and shame companies those in breach of Equalities Act 2010 duties (Cameron, 2015b).

Part of the rationale, at a time when the government has been proposing major cutbacks to social security programmes, is that the community - through the taxes needed to support low paid workers and their families - is in effect funding employers and much of the cost of low pay for this sizeable section of the labour market through costly in-work support schemes.

In the UK Summer Budget this year the Chancellor of the Exchequer (Finance Minister), as part of his case in the July 2015 Budget for cutting back social security for working claimants, argued for a shift away from ‘welfare’ and back to ‘work’: in effect this has signalled a re-ordering of the relationship between wages and welfare, and perhaps a move away from in-work benefit transfers as a costly form of ‘subsidy’.

This is rather akin to a Pauline conversion on the road to Damascus – sudden, unexpected, and, for some of critics, scarcely believable!
The problem, as previously noted, is that whilst measures to introduce a new national ‘living wage’ (Budget, 2015) and tackle inequalities (Cameron, 2015b) are welcome - particularly for those on very low pay who could benefit from this - it is not likely to assist workers who, at the same time, may also be affected by cutbacks (worth an estimated £12 billion) and other austerity measures.

We are also seeing legislative restructuring to facilitate a roll back of support (Welfare and Work, 2015).

**The Labour Side of the Labour/Social Security Interface: A Renewed Focus?**

A combined approach to strengthening the social protection floor, utilising support from both sides of the work-social security interface in ways which are effective is welcome. It would also be in line with ILO aims. Indeed, the Bachelet Report pre-empted this in 2011. The report said that:

‘The social protection floor relates strongly to the Decent Work Agenda; to succeed in combating poverty, deprivation and inequality, it cannot operate in isolation ... Its strategies must be accompanied by others, such as strengthening labour and social institutions and promoting pro-employment macroeconomic environments’ (Bachelet, 2011: Executive Summary, xxiv).

The problem is that the UK - I suspect in common with other EU Member States pursuing similar approaches – is looking for a combination of austerity and deregulatory agendas on the labour side of the equation. It is difficult to see how both can be achieved. This has already caused a number of rifts between the four countries that collectively make up the United Kingdom. If anything, the London government’s attempts to push through an austerity agenda, but without measures to try to maintain the wages floor in other ways, will simply exacerbate the tensions. Coupled with that, the nature of work is changing, with fewer opportunities to progress, de-skilling, reduced management, and impacts of new technologies - factors serving to reduce the value of work: themes in an influential report *The New Workplace: Why Work Isn’t What it Used to Be* (BBC/Robinson, 2015).

**Is there Scope for Better Redistributive Mechanisms?** The answer is undoubtedly ‘yes’, and this has the support of influential sections of both the trade unions and employers communities. Unfortunately, current trends – at least at the national level in the UK – have been in the other direction. I have in mind the abolition of the UK’s agricultural wages board (AWB) system in England – a system that sets minimum wages and conditions for the agricultural sector (DEFRA, 2012). This was accomplished, eventually, despite it being readily apparent from the legislation’s ‘impact assessment’ that this would quickly lead to wage falls in many parts of the sector.

The government in London then expected that the other three countries would follow suit and do the same in Wales, Scotland, and Northern Ireland. In fact, since then all three countries have resolutely maintained those boards, conscious of the impact abolition, and a reduction in wages and spending would have on the rural economies of those countries (and on the consequent pressure that would be put on social security system. The fear was that as wages went down reliance on social security systems, support for housing costs, etc would go up. In one case, Wales, the central government in London tried to force the country to accept the change.

This proved unsuccessful when Wales asked the Supreme Court to review the measure and its legality under the UK’s complex constitution and devolution arrangements.
The court ruled in Wales’ favour (UKSC, 2014). In common with our neighbours, the Republic of Ireland, has maintained a similar system to the AWB. Going forward, all four countries may use the AWB model as a springboard for extending sectoral wage and conditions to other low-pay sectors if there is employers’ support. Such mechanisms are far from perfect, however - not least given the difficulties there may sometimes be in enforcing minimum wages and conditions standards.

Enforcement problems can also be seen, I believe, in South Africa where similar redistributive systems operate through negotiating councils (Bhorat, Leslie, and Mayet, 2010).

**Improved Sectoral Wages/Conditions & Mechanisms.** Despite shortcomings in such systems, the use of better and more effective bargaining and redistribution mechanisms – ideally based on social partners’ dialogue and transparent payability principles – is right in principle, I suggest.

Wider use of such mechanisms, whether union-based or utilising other representative systems, would make sense; and are better, in principle, than regulatory wage-setting. In order to achieve this, legislation or self-regulatory approaches facilitate new ways of promoting dialogue and wages and conditions setting at the sectoral level.

We will have to see what transpires. In the meantime, in the UK organisations like the Institute of Employment Rights have put forward specific measures for rebuilding collective institutions, dialogues, and bargaining including a ‘manifesto’ for collective bargaining (IER, 2013).

**The State as Regulator & Provider**

Although the State is by no means the only source of security, in the modern era it now delivers much of the support that is not available from a job or from private institutions like the family (or from individuals’ own efforts, savings, or other sources).

Arguably, the State has become the key player in most countries. That said, modes of delivery are diverse. So, although services may be State funded, organised and managed, it does not follow that they have to be publicly produced (Barr, 2012: 6-9).

In practice, key areas of social security, including pensions, healthcare, and other community services may be delivered by the private sector and through markets or through private-public partnerships – albeit subject to State agencies’ oversight. Indeed, in some areas of provision such as healthcare and community-based services the participation of social partners, private providers, and civil society, may be more effective than public provision – particularly if State agencies lack the experience and capacity to deliver effective support. This, inevitably, raises questions about the adequacy of regulation.

Most systems, in practice, utilise redistributive mechanisms in a variety of forms. Such redistribution may be on a reciprocal or contributory basis, with the community expecting something in return. It may, however, be unreciprocated. Expectations of balanced reciprocity, ie something in return for the community’s support, have long formed part of the anthropology of welfare (Sahlins, 2003).
Distributive Justice & Social Security

In the European tradition, the ideas of Aristotle about distributive justice in the *Nichomachean Ethics* dating from 337 BC have been influential in shaping the architecture of modern social security (Aristotle, 337 BC: Book V). Transposed to the modern era, redistributions broadly take two main forms, with the State being both a regulator and provider.

**First,** ‘corrective’ or ‘regulatory’ justice interventions may be targeted at transactions like contracts and schemes operating at a private law level, and at schemes operating largely in the private domain (pensions, savings, investments, life insurance, and the like). National minimum wage regulation and the regulation of working hours are examples of such welfare-led interventions (Kronman, 1980: 472).

**Second,** and representing an altogether different strand of distributive justice in Aristotelian tradition, States are able to draw upon the ‘divisible assets of the State’ and redistribute them. In the modern context this generally means the resources redistributed which have been generated by taxation, funded out of borrowing, or otherwise as the result of redistribution mechanisms designed to promote collective insurance. It also means collective resources generated by individuals’ contributions – typically, this means employees’ and their employers’ payments.

Europe and other developed Welfare State models cannot, of course, claim a monopoly on these approaches to collective social insurance, or the idea of distributive and social justice. In the Muslim tradition, the idea of a guaranteed income for needy individuals, funded by early forms of taxation, has its roots as far back as 632 CE and the Rashidun Caliphate led by Abdullah ibn Abi Quhaafah (Abu Bakr), father-in-law of the Prophet Muhammed. That legacy can still be seen in welfare measures like Pakistan’s *Zhakat* and *Ushr* (Clarke, 1985; Zhakat and Ushr Ordinance 1980).

**Contribution-Based Social Security.** Contributory schemes funded out of contributions - State pensions and incapacity schemes are prime examples – are an integral part of the second strand of distributive justice referred to. In reality, however, many State-managed contributions-based systems now depend on a measure of funding or ‘topping up’ to be viable. So, in that sense they are just a part of the wider State social security system, dependent on what has been described as the Robin Hood function (Barr, 2010). Contributory pensions, bereavement, and incapacity benefits were historically part of the bedrock of the Beveridge vision of sustainable, citizen funded social security in the UK. As far as State contributory pensions are concerned, the idea is that citizens can build up a pension pot after a lifetime of accrued national insurance contributions. Where this can be achieved over the minimum period required for eligibility, the outcome is income and dignity in retirement, and without the need to look to other citizens for help.

The reality, though, may be rather different.

By the 1980s the idea of contributory, pay-as-you-go social security had run into trouble. Labour market transformations, and the reality that increasing numbers of citizens simply do not have the requisite job for life, and earnings to support payments at the level required (and can expect significant gaps in employment during which it is not possible to sustain payments), has meant supplemental support is needed. In the wider European experience, other catalysts have led to the demise of the contributory principle.
The Greek Experience. This analysis of Greek social insurance was provided in 1997:

‘The end of the 1990s finds the Greek social insurance ‘system’ economically unstable, institutionally fragmented, and under increasing pressure from high levels of unemployment and unfavourable demographic developments....The opening-up of domestic financial and product markets to the forces of an internationalised market economy brought about the erosion of the State’s economic sovereignty ... Against this backdrop, social policy decision-making in Greece faces two contradictory sets of priorities: the economic priority of competitiveness in the European and global markets, which calls for less Welfare State presence, and the need to create a responsive welfare system since traditional forms of welfare provision such as the family find themselves under tremendous pressure due to the impact of economic restructuring. With new patterns of labour market segmentation emerging and employment insecurity becoming the norm for large sections of the population, any attempt to ‘roll back’ the rudimentary Welfare States of the semi-periphery will result in the deepening of social inequalities, worsening of conditions contributory to social exclusion and increasing de-legitimation’ (Papadopoulos, 1997) [emphases added]

This was, perhaps, an extreme example of the range of problems Europe social insurance schemes were facing, even in the 1990s. It didn’t stop there. The author went on to describe other features which are familiar: poor management, excessive political interference, inadequate funding.

Support for Contribution-Based Social Security: ‘Top-Ups’

As with other States, including those which could not be described as part of the European semi-periphery, there has been some significant retrenchment. There has also been a need for non-contributory support, including social assistance schemes based on solidarity principles, to operate side-by-side with contributory schemes – many of them increasingly dependent on funding from tax and spend as well as borrowing.

The UK’s State Pension Credit. In the UK, the introduction of the State Pension Credit as a means-tested pension benefit giving all over-60s a new, weekly form of income support – one of the costliest schemes to come out of the 1990s - was a prime example of this. Whilst the State Pension still operates, and supports a lot of pensioners from among the UK’s ageing population, it has become an increasingly important source of ‘top up’ income. In some cases it is payable when claimants have ‘zero’ alternative income, from whatever source, contributory schemes, saving, or otherwise (SPC, 2000).

A Comparison with Singapore. Unlike the UK, Singapore’s primary pension system, the Central Provident Fund (CPF), is generally an efficient, fully funded, defined benefit pension system resourced from mandatory contributions by employers and employees.

Nevertheless, driven in part by changing demographics and Singapore’s ageing population, coupled with low wage and inequalities problems, it has been necessary for the government to take action as part of the 2015 budget, to supplement the retirement incomes of some pensioner groups. Changes have also been necessary this year to make the CPF more responsive to claimants’ needs (IMF/Singapore at 50, 2015).
Whatever the controversies surrounding the introduction of schemes like the UK’s SPC (and the pension system’s increasing dependency on social assistance programmes schemes), in its favour it should be said that it has served to remove much of the fear older citizens who have been in low-paid jobs would have without such support from public resources.

At the same time, though, however important social assistance schemes like SPC have become, there can be little doubt that they have undermined the contributory principle. This has prompted critics and those who have worked hard to fund a contributory State pension (and possibly an occupational pension as well) to query why someone who may have a significantly less consistent work record should be able to access support at levels that are not very much less than those they are getting? The answer, in most cases, is likely to be that as an increasingly large proportion of citizens are unable to access stable, longer-term employment at a level which enables them to effectively contribute to the costs of retirement, most people will have had little choice but to look to State social assistance schemes for help.

This links to some deeper problems and political controversies around the concept of unreciprocated, non-contributory ‘welfare’ or social assistance, which I would like to discuss.

The Rise of Social Assistance

Schemes like State Pension Credit are just one facet of a very much larger area of modern non-contributory, means-tested social security which for convenience may be called ‘social assistance’. In terms of scale of coverage - both in Europe and in other parts of the world - it is both the largest part of modern social security programmes and, at the same time, the area which is seeing the fastest development. This is undoubtedly one of by-products of economic development, and also the scale of growing inequalities, and unmet need, which pervades the planet.

In the European experience many of the current programmes that form part of the modern system have their origins in the mass unemployment of the 1930s. At that time new programmes to combat large-scale unemployment had to be introduced (for example non-contributory, means-tested unemployment benefits, family benefits, and universal pension entitlements).

A similar phenomenon can be seen in the recent development of China’s and India’s social welfare systems. Even before the transformations we have seen since the 1980s, resulting in China’s position now as an economic and political superpower, China had significant and deep-seated problems in terms of poverty and unmet needs (Leung and Xu, 2015: 17-32).

Since then, the rise in employment, better household income, and the effects of newer, wide-ranging social programmes has, reportedly, meant the country over the past three decades contributing 70 per cent of the reduction in extreme poverty in the world (The Economist, 2013; Leung and Xu, 2015: 2).

An astounding achievement!
China & the Need for Social Assistance. Despite big successes, according to some commentators China still faces significant problems – largely as a result of inequalities, the inadequate reach of many of its social welfare programmes, and with aspects of its development seen as ‘unstable’ or ‘unsustainable’ (Wang and Zhen, 2013: 104). Coupled with increasingly weakened labour market conditions, unstable employment in some sectors, and the continuing impact of rural poverty in some regions, the need for social assistance programmes has risen. This has not been helped, it seems, by the impact of some of the marketisation and limits on the scope of programmes (Gao and Riskin, 2009; Gao et al, 2013). As growth slows in 2015, demand for support may well grow.

Mindful of the wider picture, and commenting on the reasons for the need for social assistance, Joe Leung and Yuebin Xu have observed that current programmes started to emerge in the 1990s as a response to urban poverty and factors like the increase in lay-offs from State enterprises. With changes in the nature of enterprises, and their withdrawal from occupational benefits and support, the need for government-funded schemes has grown. This has included temporary assistance measures, housing support, etc. State developed means-tested programmes grew, including the *dibao* system offering cash assistance to poor households and subsistence-level help, as well as medical and educational assistance. In common with European systems, this also provides a passport or ‘qualifying entry point’ for a range of other forms of social benefits and assistance.

‘Multidimensional Needs & Poverty’. Social assistance schemes in China encompass Housing Assistance offering subsidised accommodation for low income earners and households, and other holistic support. Perhaps the most important feature, though, has been acceptance that economic growth, in itself, has not proven to be the ‘ultimate solution to poverty’. Despite some impressive social insurance schemes, these have not functioned as expected, and ‘the emphasis of social security reform has shifted from social insurance to social assistance’ (Leung and Xu, 2015: 85-88).

T.H. Marshall, Social Citizenship & Support as ‘Solidarity’

The rationale for such non-contributory, largely unreciprocated schemes of assistance, is rooted in the idea that the modern State should be responsible for the welfare of its citizens, and that they cannot be expected to play a full and effective part of the community unless a range of core needs are met. Much of that rationale extends to the reasons why societies are unable to look after their own, particularly at times of crisis and when mainstream sources of welfare, like employment, are in crisis. The discourse owes much to T.H Marshall and his seminal work *Citizenship and Social Class*. Among other things, the needs associated with the ‘social’ element of citizenship encompassed what he termed a ‘modicum of economic welfare and security’ (Marshall, 1950: 149).

More modern approaches focus on the need for ‘solidarity’, and measures to combat social exclusion and promote inclusion of groups who would otherwise be marginalised from mainstream society. When talking about social security systems, European jurisprudence has now increasingly adopted the language of solidarity when referring, for example, to ‘schemes of social solidarity’.

It has certainly featured strongly in the development of France’s in-work support systems (Beland and Hansen, 2000).
Social Security & ‘Solidarity’: Groups on the Margins of Protection

Claimants seeking to assert rights based on ‘contribution’ generally have a right to such social security as a form of ‘possession’ for the purposes of the European Convention Rights Article 1, Protocol 1 (A1P1). This was affirmed in European Court of Human Rights cases like Willis v UK [2002] FLR 582 - a leading case on State social security as a form of possession with which States are prevented from ‘interfering’, as well a fast-developing jurisprudence around men’s right to assert such entitlements on the same basis as women, and vice versa. Non-contributory support and social assistance, whilst enjoying a pretty solid political base – particularly in Europe - is in principle is rather less susceptible to being accorded the status of a ‘possession’. Nevertheless, the European Court of Human Rights has held that such support is capable in principle of enjoying protection under A1P1. Given the variety of funding methods now operating in Europe it was ‘increasingly artificial’ to only accord protection to benefits financed by contributions; Stec v United Kingdom (4).

Migrants’ Support. Limitations on take-up of social assistance are generally directed at groups on the margins of the labour market, migrants without settled residence. Even EU citizens may be outside the scope of social protection in EU States if they are ‘economically inactive’; Dano v Jobcentre Leipzig (5). Nor, it seems, after Dano does EU citizenship guarantee social assistance under the EU Charter of Fundamental Rights (Puttick, 2015).

Social assistance is the area of European social security that has been developing exponentially, and where take-up continues to rise. The reasons are not too hard to find. Earlier this year the UK’s Office of National Statistics (ONS) reported that a majority of households in the UK (13.7 million, representing 52% of all households) receive more in social security support than they pay in taxes. That imbalance becomes more pronounced the further down the income scale one looks. Whereas the average household with at least one wage-earner pays £13,402 in taxes and receives back £12,940 in State benefits, the poorest fifth of households, with either a low-paid worker or no worker, receives £14,868 in benefits and pays £4,886 in taxes. According to the ONS, much of the rise in State benefits claims and take-up has resulted directly from the impact of the recession on the incomes, including low and stagnating wages, on working age families (ONS, 2015).

Similar messages have come from other authoritative sources, including the reports of the UK’s Social Mobility and Child Poverty Commission. In particular, the State of the Nation 2014: Social Mobility and Child Poverty in Great Britain, besides highlighting the country’s low productivity and continuing low wage levels, provided a significant spotlight on the growth in ‘working poor’. Again, that has come as quite a surprise, particularly given the well-developed system of social security, housing support, and other redistributive mechanisms operating in the UK. Perhaps unsurprisingly, given the rise in child poverty in the last ten years, the new Conservative UK government has wasted no time in rolling back the Child Poverty remit, and objectives, set by New Labour’s Child Poverty Act. The new Welfare Reform and Work Bill 2015 has now taken ‘Child Poverty’ out of the Commission’s title. It will now be, simply, the Social Mobility Commission. The focus has changed, too. It will now, largely, be on monitoring income poverty, considering measures to reduce it, and promoting ‘life chances’ (Welfare & Work, 2015).

Coupled with this is a commitment to end workers’ dependency of State support: what the Prime Minister has called the welfare ‘merry go-round’ (Cameron, 2015a).
The Private Domain, Voluntary Sector & Communities under Pressure

Modern social security continues to rely on sources within what be called the private domain, including savings, intra-family support and transfers, as well as the important roles performed by voluntary organisations, charities, NGOs, and sources provided freely or at below market price - or below the costs that private insurance operating in the market might expect (Barr, 2012: 6).

The capacity of private giving cannot be underestimated, particularly at times of crisis. The exponential growth in ‘food banks’, whereby needy individuals are supported by organisations receiving donations of food, a trans-Europe phenomenon, is just one example of this, and the less visible face of social protection (Dugan, 2013).

US State Assistance: Food Stamps & Food Programmes. In the USA food banks and centres as forms of voluntary support became a State responsibility - part of the Federal social security - most recently the Supplemental Nutrition Assistance Program (SNAP) and other new food benefits programmes supplement food stamps, as a key benefit, targeting low income and low wage households under the American Recovery and Reinvestment Act 2009.

Greece: A Collapsing Floor. The responses by the people of Greece as they are affected by cutbacks and austerity impacting on core social security have been inspirational - with community-based support, trade union initiatives, village co-operatives, and other self-help replacing mainstream State social security. Unsurprisingly, having already seen a progressive shift away from social insurance to social assistance, with the withdrawal of that form of support, cuts to wages, and removal of ‘social wage’ components like State healthcare and pensions, the Greek people have had to dig deep to meet the challenges.

Many of these, as I have suggested, are deep-rooted.

‘Individual Responsibility’

The importance of individual responsibility featured in our General Reporter’s paper, and has been referred to: but this merits further comment, if only in the context of formalised expectations of responsibility and reciprocity for community support. Notwithstanding the pivotal role played by State systems, the expectation that individuals, with or without the support provided by family and other informal networks, is well established. It is certainly a dimension that cannot be ignored.

Plainly, individual responsibility has always been an important expectation – but no more so than when public resources are scarcer, occupational benefits under the employment contract are reducing, and the impact of austerity measures is felt. Beneficiaries should not be just passive recipients of the community’s support; so not unreasonably systems of assistance founded on social solidarity should expect individuals to play an active role when they can do so. This has prompted some systems to become excessively coercive in linking entitlements to eligibility, even in scenarios where expectations of labour market participation are so unreasonable as to become problematic.
The issue may be particularly relevant in the context of welfare-to-work and work-to-welfare transitions or the approaches that countries like the USA have taken with regard to workfare, and the withdrawal of support after fixed periods of support have not resulted in take-up of employment; or withdrawal of assistance from groups like single parents who have not demonstrated their co-operation in processes like child support collection.

Different systems have approached this in different ways. In the USA, in the period which saw the start of workfare and time-limited access to social security support, President Bill Clinton, within three weeks of taking office, famously coined the phrase a ‘hand-up not a hand-out’ when promoting the centre-piece of his reforms to US social security.

He said that people should be helped to help themselves. This, he said, would help to break the ‘bleak pattern’ whereby little incentive existed for people to search for a low-wage, unskilled job - typically without health care cover, and leaving them worse off than when they could remain dependent on ‘welfare’.

A key commitment, later implemented by a combination of raising the US guaranteed minimum wage with increased in-work support and tax credits, was to ‘boost the incomes of the working poor’. At the same time, as part of moves to win over a Republican Congress, he co-operated with measures like the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and implemented time limits on take up of social security (Cornwell, 1993).

**Welfare ‘Contract’ Approaches.** In the UK the New Labour government after 1997 fashioned its social security reforms around the idea of a ‘New Welfare Contract’ which focused sharply on the role of individuals and ‘self help’.

More specifically, in return for the government’s commitment to ‘make work pay’ and ‘support those unable to work so that they can lead a life of dignity and security’, the ‘duty of individuals’ was ‘seek training or work where able to do so’ and ‘take up the opportunity to be independent if able to do so’ (DSS, 1998: 80).

This aspect of the State social security system continues to feature in the policies and programmes of successive governments since New Labour, including the UK’s Conservative-Liberal Democratic Coalition which ended this year. This translated ideas about individual responsibility in *21st Century Welfare* (2010) into legislative requirements, notably legally binding ‘claimant commitments’ in the Welfare Reform Act 2012.

It has also informed measures like the imposition of an overall ‘cap’ on the amount of support individuals and family claims units can expect from the State – much of this accompanied by significant rhetoric around the idea of ‘taking responsibility’, particularly around job-seeking requirements.

**Family Support, Caps & ‘Limits’**

Some of this has spilled over into the wider issue of how far the State should be responsible for supporting a person’s children, even if she or he is in work. Accordingly, as at July 2015, the government began a programme limiting the take-up of support - even for families with a worker in them - to two children.
Unsurprisingly, this has been attracting considerable criticism - not least from organisations representing women and families like the Fawcett Society. In recent years the organisation has highlighted how women and children have tended to be disproportionately affected by cutbacks to social security programmes. Given that women at the lower end of the pay scale already feel the impact of gender discrimination, and low pay – a focus of the UK Prime Minister’s attention this year (Cameron, 2015b) – the further impact of reductions to benefits, and freezes in social security benefit annual up-ratings, represents an altogether more potent challenge (Fawcett, 2011; 2014).

The Social Market: Regulation & Regulatory Interventions

Social security and ‘welfare’ can also, of course, be delivered through private schemes, as in the case of private pension provision – part of what is sometimes described as the ‘social market’. In general, though, this has to be done within a framework of close regulatory controls and State oversight.

The importance of such regulatory oversight has been stressed where key areas of social security, like pensions, are delivered through the private sector (Asher and Nandy, 2006: 152-4).

Is this a potential area for ‘problems’?

Undoubtedly, ‘yes’. As we have seen, regulatory failures have led to some disastrous consequences.

Maxwell, Equitable Life et al. Pensioners in the UK experienced this when Robert Maxwell, Chairman and CEO of the International Publishing Corporation, helped himself to most of the assets in the IPC Pension Fund to use as a cheap source of liquidity for his ailing private companies (Maxwell, 1996). The absence of effective regulation, and controls to avoid misuse by employers’ use of pension assets, massively dented workers’ confidence in the private pensions sector at the time (Maxwell, 1996). It is also clear that governments can fail spectacularly to regulate providers of financial products, including savings schemes that form an integral part of modern social security.

The failures at Equitable Life in the UK have already proved expensive to put right.

Who pays for such failures? Well, the taxpayer, of course. In the case of EL at a cost tens of billions of pounds by the time all claims are settled.

Banking Failures & the ‘Sub-Prime’. As you would expect me to add, it was regulatory failures and shortcomings in the private financial sector that were a major contributing factor in the post-2007 financial crisis, and ensuing economic crises. These necessitated extraordinary and costly measures like the nationalisation of banks and mortgage lenders in both the UK and US to put right, and impacted on labour markets and social protection. In Europe we are still seeing the true ‘costs’.

Arguably, the primary role for regulatory interventions is the fixing of minimum wage levels, the setting of working hours limits, and other welfare-led interventions in the labour market. Restrictions on other phenomena in the aftermath of the crisis such as the exponential expansion of exploitative pay-day lending have been contributing to the modern social protection floor – key areas for further debate at our Congress, I am sure!

Support at the Labour/Social Security Interface: In-Work Schemes

Modern social security systems, in practice, now depend on a combination of both regulatory legal interventions and supplementary support from State schemes.
Despite a continuing, fragile recovery, as a result of continuing low productivity and growth and wage stagnation pervades Europe’s labour markets. As a result, most European countries now have in place measures to support low-paid workers, typically through a mix of tax measures, including raised thresholds at which tax becomes payable; income transfers to supplement wages; and support to help workers meet other costs that would normally be paid out of wage income.

**Some Complex Inter-actions!** Such in-work support can be complex, however. In the UK, for example, there is a pretty complicated inter-action between the national minimum wage - a regulatory intervention in the contract of employment - and in-work benefits as they are provided out of schemes like Working Tax Credit, Child Tax Credit, and Universal Credit. The starting point is that the NWW secures (or should secure) a basic wage ‘floor’ which comprises income from the contract. However, it was recognised at the time that the NMW was not primarily intended as a welfare measure (Simpson, 1999) - even for groups like part-time workers, disabled workers, single parents trying to balance family commitments with work, for which one would expect it to be seen as such. In design terms, it was assumed, rightly or wrongly, that much of the social security or welfare element would be delivered through wages and occupational benefits - provided through the employment contract, and without the necessity of supplements and top-ups to the wage itself. Any support delivered by the State was generally confined to family-related support.

**Post-1980s Changes.** Following the recessions of the 1980s all this changed. The idea of in-work support – primarily directed at promoting welfare-to-work, and providing incentives to remain in low-paid work - was a latecomer to UK social security. Ironically, it was introduced in the UK by Conservative governments which had successfully emasculated many of the labour market mechanisms for maintaining an effective wages and conditions floor (trade unions, collective bargaining, wages councils with powers to fix wages, and so forth). Having become, in a sense, a victim of its own successful labour market strategies and deregulation initiatives, it was faced with the seemingly insuperable problem of how to move large numbers of people, and so called ‘hard to employ’ groups off benefits and into work. Essentially, it became necessary to adapt the social security system to provide support to low paid workers and ‘make work pay’.

**The Arrival of In-Work Social Security**

Having successfully deregulated much of the labour market, and taken down institutions like trade unions, collective bargaining sectoral bargaining, etc, the UK’s Conservative government by the start of the 1990s was, in one sense, the victim of its own success. Faced with the problem of incentivising large numbers of out-of-work benefits claimants to take up work in jobs on wages barely able to meet the most basic needs, the problem turned to ways of reconstructing the social security system.

The focus switched to developing existing family support schemes and creating a new generation of welfare-to-work and in-work schemes.

This era also saw the birth of the idea of ‘making work pay’. A key design assumption was that it is cheaper to do this than to try to sustain people - nearly 4 million at the time - and their dependants on expensive out-of-work benefits. As one commentator said ‘The benefit system was being slowly moved from one which paid people in the main on condition that they did not work, to one that was beginning to subsidise them to be in work or at least actively looking for it’ (Timmins, 1995: 531).
However, what was originally been intended as temporary measures to support entry-level employment has grown exponentially – as has been the case in other countries. The in-work support system, mainly focused on tax credits and other support in meeting low-paid workers’ costs, has become a major source of ‘welfare’ for a sizeable and growing proportion of low-paid workers’ welfare (Puttick, 2012a and 2012b). The challenge for modern in-work social security is to try to ensure that the NMW floor is not set too high, and at levels which can produce excessive costs to employers (and thereby jeopardise job creation and retention) - while at the same time ensuring that State support does not generate unsustainable costs to public finances (Simpson, 1999).

Similar systems operate in other parts of Europe. In France, for example, income transfers to supplement the wages of low-paid workers is provided through a number of State schemes, or ‘schemes of social solidarity’, including the Revenu de Solidarité Active (RSA).

However, like most in-work support systems, the RSA is complex, as can readily be appreciated from commentaries on its operation (Bourgeois and Tavan, 2009). The United States, too, combines minimum wage legislation (at State and Federal levels) with targeted tax credits, and support for key groups like disabled people, former war veterans, and others on the margins of employment.

Each country’s approach varies, but systems like France’s evolving Revenu de Solidarite Active (Vlandas, 2013; Denis and L’Horty, 2012); Austria’s Bedarfsorientierte Mindestsicherung (Steiner and Wakolbinger, 2010); and the UK’s Universal Credit (Puttick, 2102a; 2012b) suggest that such schemes are not just set to continue - they are constantly being adapted to respond to newer challenges. These have in many cases been aimed at facilitating entry to, and retention in, newer forms of employment, including short-term and often more flexible kinds of work transaction.

They have also been adapted to serve another function, namely as an ‘enabling’ mechanism to promote employment among groups that would otherwise struggle to work: single parents, older workers struggling to live on low pensions, the disabled, carers, and others.

Welfare-to-work has been controversial: particularly if support is accompanied by coercive measures requiring entry to low paid employment lacking many of the attributes of Decent Work: ‘security’, social protection for family and dependants, reasonable prospects of personal development and integration, participation in decisions affecting their working life, and so forth (ILO, 2008).

In-Work Social Security Programmes - How Sustainable are They?

Needless to say, schemes like the UK’s Working Tax Credit (currently being replaced by the new Universal Credit), France’s RSA, and the other schemes operating both within and outside Europe aimed at ’making work pay’, are expensive.

These and other costs of the evolving European Social State have prompted some influential commentators to argue for radical, new funding measures – some of which involve elaborate transfers of resources between Member State of the EU and within the Eurozone (Picketty and Vallon, 2014).

For now, however, social security systems remain firmly under the control of European States with, for now, minimal control from the EU institutions.
**Policy Rationales for Retention?** Why do governments retain in-work support schemes – especially given their cost, and given the argument that the burden of ensuring wages and conditions are maintained at an appropriate level, having regard to payability, should be borne by employers rather than the community?

Besides supporting low-paid workers, and providing a better alternative to more costly out-of-work benefits which those workers might otherwise elect to move to (or move back to), it is important to understand the support they provide for other key stakeholders, including employers and the community itself. At a time when employers’ ability to provide work of sufficient duration (in terms of hours), and of a sufficient quality (in terms of wages and other conditions), it is inevitable that the State should step in and make up the deficit.

It is also readily apparent that without such support projects that make up the European ‘Social Model’, and measures like EU-wide working time restrictions, could in some sectors become unsustainable for cost reasons as well as other factors (Barbier, Rogowski, Colomb, 2015).

It is also evident that at a time when both governments and employers are pursuing deregulatory agendas both groups are more than happy to see at least part of the costs and on-costs of employment being shared with the community and public finances.

A particularly useful commentary on why employers, as well as parties on the Right of the French political spectrum, supported the RSA when it was introduced was provided by Tim Vlandas of the LSE. Essentially, as in other EU States, there has been a significant consensus around the idea that it is better, in principle, to provide State support for a person in a job – albeit in a low-paying job – than it is to support someone with the much wider range of living costs associated with out of work benefits. The RSA is just one of a number of support measures rooted in ideals of solidarity.

**Reciprocity.** As with in other European systems with systems like the UK’s Universal Credit, and which provide in-work support, the expectation is that recipients will reciprocate for that support by entering the labour market, paying taxes, and otherwise ‘integrating’ and contributing to society.

**Shortcomings?** There are plenty, and not just in relation to schemes’ funding and costs. Eg the RSA’s ability to provide and maintain sufficient welfare-to-work incentives, and engage recipients sufficiently, are as big a concern (Landre, 2014).

Nevertheless, the RSA continues, and for now it has survived the wider labour and social security reform processes initiated last year by the Hollande government (Panyerre, 2014). (6)

After two decades or more during which such welfare-to-work and in-work programmes have been extended – mirroring similar expansions of other countries in-work support systems like the USA’s Earned Income Tax Credit and other Federal and State programmes – cutting back on them would be very painful.

Politically it is also likely to be very challenging. Is a retreat from such provision even an option, and is there a justifiable argument that cutting back on workers’ and employers’ reliance even possible?

Given their cost, and signs of a break-down in the cross-party consensus that has prevailed in this key area of social security, this is certainly an area where new brooms have gone to work.
Some Retrenchment & New Directions of Travel...?

As I have previously suggested we may be seeing some changes, and returns to earlier orthodoxies including the centrality of work, and the importance of improvements to the labour component (wages, occupational conditions, etc) of the ‘floor’. As already noted, in the UK’s case the 2015 Budget on 8th July saw some the start of retrenchment and back-pedalling on earlier commitments to commitments to continue utilising schemes to make work pay (notably in the Coalition government’s blue-print for reform 21st Century Welfare). The UK’s Finance Minister (Chancellor of the Exchequer) announced his intention to make cuts of approximately £12 billion, with a major target being the UK’s system of in-work benefits (Millikens, 2015). The controversies and uncertainties around this have already been referred to earlier in this paper – but it is clear that leading commentators like the UK’s Institute of Fiscal Studies have some serious doubts, not least a lack of confidence in employers’ ability to improve the productivity needed to justify wage rises to pay for a higher wages floor (IFS, 2015b).

As major stakeholders and beneficiaries, some sections of the employers have not been at all happy with this change of direction - not least because of the impact cut-backs to in-work support will have on their ability to recruit and retain labour, assisted by what are, in effect, sizeable wage subsidies. Not unreasonably, they point out that raising wages cannot be achieved overnight. They also argue that it is necessary to be able to justify the kinds of wage rises that withdrawal of in-work benefits through demonstrable productivity gains. This may come at a cost, including additional working hours, investment, or added value secured after training and staff development (Price, 2015).

‘Making Work Pay’: A Species of In-Work Support

In the bigger picture, it is clear that what started as an essentially European initiative, as part of measures to move large numbers of out-of-work claimants off unemployment benefits and into work, have now become entered into more general use outside Europe. Indeed, in-work benefits, income transfers, tax credits, and so forth are now an increasingly common feature in many countries’ systems. Making Work Pay (MWP) policies - have become increasingly important, even integral to some countries’ social security programmes. As OECD studies such as Making Work Pay, Making Work Possible have noted, MWP programmes have been utilised for a range of ‘non-financial’ reasons.

MWP & Empowerment Schemes. These have included strategies aimed at improving the labour market participation of ‘under-represented groups’: for example, Canada’s ‘Self-Sufficiency Project’ assisting lone parents employment with earnings supplements (OECD, 2003: 120). By 2008 twelve countries were operating MWP programmes with the use of a combination of targeted in-work benefits, direct wage subsidies supporting employers, and tax credits and other tax-based schemes. Otherwise, ways of relieving workers and their households of the costs (or full costs) of expenses that would otherwise be met out of wage income are widely in operation, including support for housing costs, assistance with travel costs, and so forth. There are a number of rationales for schemes’ use - but the principal one put forward is that MWP programmes, by improving the combined ‘take’ from employment, by combining what may be a low-paid job with in-work benefits, tax credits, etc, incentives to take up work, and remain in it, are increased (Adireksombat and Jinjarak, 2008). In 2015 we now see a lot more schemes world-wide.
Diversity of MWP Schemes. Programmes vary considerably in what, precisely, they can offer and how support is delivered. At one end of the spectrum, for example, support is provided through the tax regime, with low paid workers benefiting from US-style earned income tax credits (South Korea being an example, with Singapore, Israel and the Czech Republic operating or piloting variants of this model). At the other, support is rather more limited. The limitations associated with tax-based support are well understood, as I have suggested earlier and this has been the subject of work by commentators like Ann Alstott (Alstott, 1995; 2010). In practice, and partly as a result of such limitations, most in-work support schemes increasingly use a hybrid mix of tax reliefs, raised tax thresholds which take low-paid workers out of taxation, or support in the form of income transfers or wage subsidies paid direct to either the employer or the worker (and in effect as non-contributory State benefits financed out of taxation). Typically, support is reinforced by family-focused assistance.

The UK is an example of the latter, with low-paid workers, and workers in part-time employment, benefiting from a combination of tax reliefs, in-work benefits like the Working Tax Credit (and more recently Universal Credit), and family support measures.

The Scandinavian countries, too, provide a range of targeted support and more comprehensive social services; and to good effect as we see with this year’s EU statistics on EU countries with citizens at risk of poverty and social exclusion (Eurostat, 2015).

In the aftermath of Eastern European States’ accession to the European Union in 2004, the IMF has routinely recommended the adoption of MWP programmes to try to promote welfare-to-work transitions – but also as part of a more generalised approach to reduction of wage inequalities. Both Slovenia and the Czech Republic have been the subject of such recommendations.

Outside of Europe, such programmes are still less common. Nevertheless, a number of the fast growing economies which are seeing exponential growth (while facing huge inequalities issues) have been developing innovative new approaches which combine work and welfare.

India is a good example of how social protection programmes can be used to promote needs on both sides of the work-welfare divide, and in ‘joined up’ ways.

India’s Support Work & Poverty Initiatives. India’s programme include employment guarantee programmes which also operate with anti-poverty schemes, covering an estimated 53 million citizens, eg operating with social assistance schemes, ‘smart-card’, cashless health insurance, etc.

The Mahatma Gandhi National Rural Employment Guarantee Scheme provides 100 days of employment per rural household per year (MGNREGS, 2015). This has become one of the largest rights-based social protection initiatives in the world, with scheme entitlements being underpinned by legislation.

The scale of support is awesome, reaching around an estimated 52.5 million households.

Additionally, and in conjunction with such initiatives, means-tested health insurance scheme is provided for eligible claimants. This is via the RSBY scheme, based on smart-card-based, cashless health insurance cover – with take-up possible by a range of low-income groups including workers in the informal economy and their family members (RSBY, 2015).
Are there ‘Lessons’ Europe Can Learn from the World’s Other Systems?

Undoubtedly ‘yes’. Whilst there are areas of commonality – I have referred to the way that even successful contributory programmes like Singapore’s CPF pension scheme require some support from public finances - what I would describe as a ‘third force’ in social security systems’ design, operation, and funding certainly offers some positive features. Older systems, including those in Europe, should take note of these.

In terms of coverage and funding, many of the newer social insurance schemes now operating in China have a number of positive features, including more secure funding and management arrangements. Arguably, these owe much of their success, to date, to the point that scheme members in many of the newer contribution-based schemes are primarily directed at higher income groups, enjoying relatively stable employment and labour market participation in the sectors in which coverage is targeted. Nevertheless, they benefit from innovative funding and management arrangements, responsive to prevailing labour market conditions (World Bank, 2013; Hwang, 2011; Leung and Xu, 2015).

Looking at other aspects of the country’s social security, holistically, China has also made significant strides in other ways: not least in developing the scope of basic health coverage at an impressive rate, notably from 16 per cent of the population before 2003 to an estimated 80 per cent (including, reportedly, 800 million people in the basic health rural cooperative medical scheme. Since 2009 it has been implementing pilot rural pension schemes aimed at assisting many of its ageing population – something it has in common with Europe – by upwards of 700 million people in rural areas by the target date of 2020 (Bachelet, 2011: 15).

Nevertheless, there are still some significant challenges which China faces, by all accounts. These include growing inequalities (Li et al, 2013), and inefficiencies in systems’ delivery of support: for example public and mixed public/private providers have been seen as behaving like ‘profit-maximising private providers’.

An ageing population, and difficulties of managing schemes in a country with such diversity – economic, social, cultural - are further issues (World Bank, 2013: 272).

**India & South Africa.** As far as social assistance programmes are concerned, reference has already been made to innovative, new approaches which combine work and welfare - but without adopting less well regarded features like ‘workfare’. In this regard, India’s MGNREGS scheme, supported by other health and social assistance programmes, comes to the fore. Interestingly, the aim is to support both sides of the work-welfare interface, offering support to sizeable numbers of beneficiaries the benefits of both work and social security support through the RSBY programmes.

Other positive features of social assistance can also be seen here in South Africa. For example, one of the problems faced by all stakeholders in many areas of European social assistance is the lack of integration and co-ordination between different strands of support.

The South African system, including basic income grant, child support grant, old age grant, child protection, and other services, forms part of a holistic approach to addressing needs and poverty.
The ‘Social Wage Packet’. Furthermore, support is provided as part of what the Minister for Social Development, Ms Bo Dlamini MP, describes as an overarching policy to provide a ‘social wage packet’. This is the core component in the South African Social Security Agency’s mandate to provide ‘comprehensive social security services’ within a ‘constitutional framework’ (SASSA, 2014: 9).

As one leading South African commentator has also observed, systems are ‘beneficial’ in that they enables a degree of balance between measures which complement each-other, focusing on reducing income, asset, and ‘capability’ poverty (Mpedi, 2013: 219). The need for such holistic approaches, and integration between social protection schemes, has also been stressed by other leading South African academics in this field like Marius Olivier. Marius has provided an invaluable comparative analysis in his work, and at the Chile World Congress (Oliver, 2011; 2012).

With coverage extending to an estimated 90 per cent of eligible families with children, including those in low-paid employment – a significant achievement by any measure - the social protection regime in South Africa has been successful in raising the living standards of many of the country’s most needy and vulnerable households. Furthermore, by doing this as part of a rights-based approach to entitlements, it has achieved this while carrying significant popular support (something which is often missing in most tax-funded European schemes). Interestingly, one of the plus points noted by commentators on South Africa’s social assistance system – no doubt due in part to the legal underpinning of entitlements – is that support is consistent, and schemes are less prone to changes affecting take-up (Hagen-Zanker, Morgan et al, 2011). This avoids the kinds of roller coaster effect we sometimes see in European schemes; and without adequate legal underpinning and constitutional protection, litigation and therefore uncertainty is more likely (Puttick, 2014).

Support systems also straddle the in-work and out-of-work divide, enabling income and other support bridges to those in less secure, more short-term employment. This is something that UK systems like Child Tax Credit, and now UK’s new Universal Credit system, have long aspired to, but with only mixed success. Even with the support of state-of-the-art IT systems carrying out needs/means re-assessment as income and other circumstances change in ‘real time’, reforms trying to achieve this have been plagued by operational and technical difficulties (Puttick, 2013). Initiatives to extend social assistance along the lines of the Brazil’s Bolsa Familia – featuring ‘conditioned’ support - mean that by linking eligibility to requirements to engage in education, training, and welfare-to-work transitions, supplemental support can be provided holistically.

Difficult Challenges In the bigger picture, South Africa no doubt still faces difficult challenges, and similar to those we see in Europe: slow growth, low productivity, growing inequalities, and low wages in some sectors. All of which puts an increasing burden on sizeable sectors in the labour market, and wider community. I was very interested in seeing what a recent speaker from the IMF, David Lipton (one of the Fund’s Deputy Managing Directors), had to say on these points during his visit to the University of Capetown in March this year. He began with some rather bleak points, including observations about South Africa’s economy growing last year by just 1.5 percent. This, in turn, he said, has been a factor in per capita income not rising, and unemployment remaining steadfastly at about 25% (with nearly 50% of young people not participating in the labour market). Unfortunately, for now, this puts unemployment levels at among the highest in the G-20.
**Inequalities & Social Protection.** In common with parts of Europe, including the UK, South Africa experiences some significant and ongoing inequalities issues - not least around wage, gender, and race inequalities. This inevitably serves to put social security programmes, and the overall social protection floor, under pressure, arguably unnecessarily in some respects - at least while action is not taken to refocus attention on shortcomings in redistributive mechanisms, wages and conditions setting, and tackling low wages and inequalities on the labour side of the labour/social security interface. David Lipton also made the same kind of observations about the need for deficit reduction with which we have become familiar in Europe when listening to IMF speeches and ‘guidance’ - generally a cue for everyone to dive for cover! Specifically, he noted how ‘gradual reduction in the [South African] deficit has become necessary after years in which public debt has increased very substantially and growth has disappointed. Consolidation will reduce vulnerability and ensure a stable macroeconomic environment—a necessary condition for growth...’ At the same time he offered important and positive messages about the government’s commitment to anti-poverty initiatives, social security programmes, and health and education (IMF/Lipton, 2015).

**Conclusions**

Social security systems certainly face a lot of challenges in the face of increasing pressures - many of them resulting from problems on the labour side of the work/social security interface. As I have argued, the two systems’ ability to deliver on the goals set by modern social security systems and social protection floors will depend on policy-makers’ ability to respond to challenges like low productivity, systemic unemployment, shortcomings in redistributive and collective mechanisms, the prevalence of part-time, short-term, and casual work, and the phenomenon of underemployment.

Clearly, social security and labour law institutions must address such issues in tandem, in order to provide an effective and integrated floor of social protection. On the social security side, systems will benefit from improved design features and secure funding, informed by some of the good practice features evident in the schemes and countries I have been discussing: but much of the attention, I suggest, should be focused on the labour side of the labour/social security interface.

This includes the need for improved redistributive mechanisms and action to promote the quality of work and the Decent Work agenda - a major theme in the most recent ILO World Protection Report when it pointed to recent employment trends.

The ILO had in its sights, among other factors, the higher risks linked to underemployment and ‘informality’, the increasing prevalence of precarious forms of work, and ‘dwindling real wages and inadequate wages leading to persistently high proportions of working poor’ (ILO, 2014/15: 26).

Sir Paul Pissarides, Nobel Laureate and Professor of Economics at the London School of Economics, was undoubtedly right when he said that the ideal ‘model’ combines the ability to create jobs, coupled with a Social State providing good quality social security and services to minimise poverty’. He added, though, that such a ‘perfect State’ does not yet exist, and that ‘there is still a lot of work to be done’ (Pissarides, 2014: 3).

**Thank you for your kind attention!**
Notes


2. The range of ‘impacts’ can be seen in this analysis by the Resolution Foundation in post-Budget briefings. A single parent with one child working 20 hours pw earning £9.35 an hour will have an overall income cut of £1000 pa; a couple with two children working the minimum hours needed to be eligible for tax credits will have a cut of £850 pa; and a ‘middle earning’ couple, both working and getting £15 an hour, will be £350 pa better off as a result of rises in the personal tax allowance. Worse is to follow under the government’s new Universal Credit. A couple with three children paid the NWL after April 2017 would be £3450 pa worse off.

3. This ‘reconciliation’ of approaches was later reflected in the breadth of ILO measures like the ILO Convention on Minimum Standards of Social Security 1952, and can be seen in the breadth of those ‘standards’. It is also evident in the Bachelet Report’s view of the range of sources of support that can make up a modern social protection floor, and in the ILO’s Recommendation Concerning National Floors of Social Protection 2012 (No. 202).

4. Stec v United Kingdom (Admissibility) (2005) 41 EHRR SE18, Grand Chamber. Said the ECtHR (paras 49, 50): ‘The Court’s approach to Art.1 of Protocol No.1 should reflect the reality of the way in which welfare provision is currently organised within the Member States of Europe… Benefits are funded in a large variety of ways: some are paid for by contributions to a specific fund; some depend on a claimant’s contribution record; many are paid for out of general taxation on the basis of a statutorily defined status … Given the variety of funding methods, and the interlocking nature of benefits under most welfare systems, it appears increasingly artificial to hold that only benefits financed by contributions to a specific fund fall within the scope of Art.1 of Protocol No.1. Moreover, to exclude benefits paid for out of general taxation would be to disregard the fact that many claimants under this latter type of system also contribute to its financing, through the payment of tax… In the modern, democratic state, many individuals are, for all or part of their lives, completely dependent for survival on social security and welfare benefits. Many domestic legal systems recognise that such individuals require a degree of certainty and security, and provide for benefits to be paid - subject to the fulfilment of the conditions of eligibility - as of right’. [emphases added]


6. The RSA provides a minimum income for both unemployed and low waged (or underemployed) workers, supplementing other sources of income and wages. It may be paid with another benefit, the Prime Pour L’Emploi on a means-tested basis. As with the UK’s Universal Credit, reforms have rationalised (or are updating) support under earlier schemes, including the Allocation de Parent Isolé and Contrat Initiative Emploi. The RSA has some of the characteristics of US minimum income schemes like Supplemental Security Income (SSI).
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