

# Quality counts

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**A new social agenda was promised at the 1998 OECD social policy ministerial meeting. Will the promise be kept this time? A focus on the quality of jobs would help.**

Seven years ago at their last major OECD meeting, social ministers from the industrialised world agreed to promote employment-oriented social policies to combat poverty, inequality and exclusion. This was the promise of a new agenda for social policy. Considering the need to reform social protection systems and social policies, the ministers concluded that any reform should go beyond containing costs and increasing efficiency. They emphasised that social policy should contribute to an increase in the opportunities that allow individuals to participate in society and fully exercise citizenship. They also agreed to ensure the best possible start for children by promoting early childhood development and family friendly policies, which would help families balance work and caring responsibilities, and by improving employment opportunities for those parents without work.

This year, we are likely to hear the same agenda being trotted out again, but has any progress been made? An evaluation of recent results is anything but encouraging. To put it bluntly, social policy reforms have failed to deliver.

This is not a surprise, for policies were driven foremost by a strong desire to cut back social expenditure and to redesign spending patterns. The trend towards fostering employment and making supply-side focused adjustments was already in motion. There was a shift towards job activation. Policies applied restricted eligibility for benefits, reduced the benefit level and turned to targeted benefits instead of universal benefits. They also changed the principles of the social system: instead of protecting individuals



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against risk, the aim was to change their behaviour by encouraging them to work. As a consequence, the previous division of responsibilities between government, family, society and the market changed. Public welfare provision was replaced by increased individual responsibility. Before we knew it, some of the traditional elements of social protection became privatised.

Recent evidence from the OECD hardly justifies a “more of the same” approach. Poverty has continued to rise, and some recipients of “active” welfare are now worse off than they were before. It has been reported that by 2000, around 11% of the OECD population fell below the median threshold of poverty. In Germany, for instance, social inequality has widened in some areas over the past few years. According to a recent government report, one seventh of Germany’s 29 million households lives in poverty. All the while, reform—call it retrenchment—has been taking place. Programmes, sometimes eloquently described as “pathways”, have been deemed successful in lifting people from dependency welfare, yet even the OECD acknowledges that many of those leaving welfare do not get jobs. Is that success?

A report released by UNICEF showed that 10% of children in Germany now live in poverty. The condition of children has also deteriorated in countries with strong growth, such as the US, where about 22% of under-18s live in relative poverty. And the UK reports that 15% of its child population lives below the poverty line.

In our view, policies of welfare retrenchment and cuts in social spending have undermined the fight against poverty. A major failure is

## Quality work

that in their desperation to get people off welfare, governments have promoted low-paid, low-skilled, entry-level jobs. In too many cases subsidies allowed employers to lower wages instead of creating real jobs. And many workers are now locked into a low-wage, low-skill "McJobs" environment. Social exclusion was not bridged, merely clad in a uniform.

Inactivity traps have become low-skill, dead-end career traps. Activation policies have built poverty into the very fabric of the labour markets of OECD countries. Surely, governments must design public policies that can improve income security, which is part of the dignity of work. Otherwise, welfare-to-work not only fails to deal with the problem, but simply hands it off to others. The trouble is, when the cheap and precarious jobs run out, the problem will bite back.

Unemployment is the main cause of poverty, but labour market insecurity and unstable employment, in particular for both low-skilled and lone parents, are also important factors. They are also two of the major target groups of welfare-to-work policies. For these policies to work, suitable jobs must be available. Should single mothers have to work at weekends or long evening hours to qualify for welfare? Not if the aim is to promote employment, increase participation of women in the labour market and reconcile work with family life. Likewise, should older workers be asked to commute long distances or do strenuous tasks? Is burger flipping really a pathway of hope for a young person from the inner city?

These are issues of basic job quality, not luxury, without which the most vulnerable people will stay away from work, as is happening. Social policy simply must address the poor quality of many existing jobs, promote the re-design of work systems and offer new and extended opportunities for learning, acquiring new skills and participating in work-related decision-making.

## Welfare works

How often must governments be reminded that welfare state commitments, based on the principles of social justice and equity, are sources of productivity and economic competitiveness? It is a government's job to provide protection against social risks that private insurance cannot and will not

## Activation policies have built poverty into the very fabric of OECD labour markets.

adequately cover. The OECD itself acknowledges that public spending helps reduce poverty. Beyond direct welfare, public spending acts as an anti-cyclical stabiliser, and is vital in times of recession. The welfare state is not a burden, but as a provider of social security makes a productive input to our societies.

But the OECD also seems to be polite about Anglo-Saxon models. Why is this? After all, despite their excellent growth performance, these countries are deeply fractured socially. Is it not true that a fifth of Americans have no medical insurance? In fact, welfare regimes characterised by universal entitlements based on decent replacement rates, a broad supply of social services, active family policies and the promotion of gender equity greatly outperform welfare regimes based on means-testing, targeting and other entitlement screening. Regimes based on employment-related social insurance also under-perform.

Welfare reform policies that knock egalitarian goals for the sake of jobs, budgetary restraint or fiscal sustainability are really only intended to please tax-cutting anti-government lobbies. As an institution of government, the OECD should know this better than most. It is particularly striking that the most redistributive welfare regimes in the Nordic countries have the highest tax burden. By putting that money back into the economy they do substantially better in terms of employment, growth and poverty reduction than many low-tax countries. Contrary to conventional economic wisdom, the relations between redistribution, employment performance and levels of tax spending appear to be rather weak. Market-driven policies, on the other hand, do not defeat inequality and poverty, because poverty is by definition partly a market failure.

This is not to say change is not needed, it is. But it is the management of welfare, not its existence, which is most at fault. Which is better, to manage large states effectively, or small governments badly? Welfare reform is difficult, but it is necessary. And it is not impossible. We all know there is no single best way to reform the world of social protection. Nevertheless, based on

comparative studies of recent reforms, at least a set of prerequisites for the modernisation of social protection can be identified. Among these are dialogue, the involvement of all stakeholders and seeking consensus on the diagnosis, principles and objectives of social policy reform. Government money is public money, after all. Moreover, it is important to build a platform of support for political trade-offs, so as to develop a joint public and broadly shared rationale for proposed reform. The public has to decide if it wants more spending on social issues like employment or family-friendly policies or on defence, for instance. And, last but not least, it is important to put in place a comprehensive strategy regarding the major areas of intervention, such as positive interaction between social, employment and economic policies and to transform rather than cut benefits. In short, instead of pushing individuals, benefits must allow people to make real strategic choices. The outcome has to be social betterment, not just cutting welfare lines. ■

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