Welfare state futures: A view from the South

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Outline

1. Welfare state reform trajectories during crisis
2. Socio-economic impact
3. Politics behind policies
4. Welfare futures: is social investment the way ahead?
1. Welfare state reform trajectories in Southern countries during the Great Recession

-Southern European welfare states have dramatically expanded since the late 1970s and also undergone a deep process of Europeanization
-Intensely aged societies. Growing gap between the desired fertility rate and the real one
-Social values, family structure and gender roles have been profoundly altered in recent decades

Very similar reform trajectories despite marked differences in macroeconomic imbalances at the onset of the crisis. One size-fits-all (despite ‘socialization’ of the Semester)

-Pension reform in line of other EU member states
-Healthcare, education, as well as social assistance and family policies all affected by budgetary cuts. Burden shifted to households
-Further flexibilisation of labour markets, especially core workers (erosion of security in employment and in unemployment): subtractive recalibration

Neo-liberal imprint of reforms clashing with national welfare state legacies: more intense feelings of insecurity
2. Socio-economic impact

- Higher GINI coefficients (income, not wealth)
- Growing at-risk-of poverty rates. The poor have become younger and poorer than before the crisis (especially young couples with children)
- Due to a very high extent to governments’ austerity policies and subsequent impact on the economy
- The number of rich has not increased and rich people are not richer
- Creation of new households falling rapidly
- Increasing number of households with no income
- Homelessness, although remaining at low levels, increased
- Low-wage earners and in-work poverty also increased, despite massive destruction of ‘bad jobs’
- Growing numbers of households on mortgage or rent arrears
- NGOs report major expansion in demand for food, clothing during the crisis
- Pensioners (65+) have been better sheltered than the working-age population, although pooling resources with unemployed family members
3. Politics behind policies

a) Upwards rescaling of the policy-making process:
- EU, ECB, IMF, executives (with a prominent role for Ministries of Finance)
- Sidelining of traditional actors (parliaments, social partners, stakeholders)
- Italy and Spain: regional and local governments deprived of room for manoeuvre. In their hands: healthcare, education, social services, social assistance, ALMPs

b) ‘Institutional crisis’:
- Growing negative perceptions of governments’ performance at all governance levels: effectiveness, regulatory quality, rule of law, control of corruption (WB, World Governance Indicators; World Economic Forum; TI)
- Downward spiral of trust in institutions (Eurobarometer)

All these developments leading to:
- Increasing perception among citizens of mismanagement and imposition
- Barriers to negotiations and agreements on renewed social contracts

**Re-fleshing the decision-making process & regaining trust is a must for the near future**
Please tell me if you tend to trust or tend not to trust in the following institutions:
The European Union (%) (2006-2015)
4. 1 Is social investment the way ahead?

Improving Euro architecture = enhancing productivity and competitiveness to narrow the North-South wedge. Can social investment be of help in this respect?

- Present vs. Future. Before SI, some kind of ‘social emergency’ policies may be needed. Counteracting the most negative effects of the crisis and the most severe social exclusion.

- From a political economy viewpoint, is it the right strategy for backing up SE production systems?

- Research results are increasingly proving that SI policies work only under certain structural preconditions.

- They also challenge the assumption that SI has necessarily a positive impact on inequality reduction and more intense economic growth.

- When impact is negative, it is not due to inadequate or narrow implementation, but absence of preconditions.
4.2 Is social investment the way ahead?

- Education and training *per se* do not translate into the creation of high quality jobs automatically. Supply does not create its own demand, unless high productivity sectors are expanded. Emigration of highly qualified youth is proof of it.

- Reconciliation policies do not promote massive female participation in paid labour unless discrimination is low in labour markets and some level of care-work balance is present in homes.

- Unavailability of good jobs discourage the youth from entering the labour market and from enrolling in further education and training.

No success if SIP is used in a one-size-fits-all way: dialogue bt. EU and MSs to be focused on national peculiarities and on those of the regional and local levels too (especially large economies: Italy, Spain).
Figure 5. Spending on Old and New Social Risk policies, EU-15, 2011 (Per head, at constant prices (2005) and constant PPPs (2005), in US dollars)
4.3 ‘Dead angles’ of social investment strategies

*Expenditure on minimum income and also the number of beneficiaries have tripled in Spain during the crisis. Further, massive expenditure on unemployment transfers (both contributory and assistential)

*Did not suffice to cushion the impact of the crisis among the worst-off: inequalities stem mainly from unemployment and human capital distribution

All political parties debating now on how to expand/reform regional MISs.

Is this a realistic solution in a context of fiscal consolidation?

A couple of ‘dead angle’ examples from my own country:

1. Half of male nationals (aged 35-54) with primary education had joined LTU in 2013. Re-qualification problematic, costly and slow. MI unaffordable: three million people!!!

2. Even though tax on income is highly progressive, the proportion of disposable income paid to social security is regressive across income deciles in Spain

Neither problem could be corrected by using the social investment toolkit

Detect subject case dead angles!!!
EU role: in Spain, social policy actors have been and still are very receptive to EU guidance, especially if it can be defended as recalibration aimed at improving equality and social inclusion. Why not tailor social policy recommendations / conditionality to specific countries, regions and localities? This would also help retrieve richer and more democratic decision-making processes and reinforce legitimacy. And, indirectly, it would promote trust in institutions at all levels.

EU role: a better fit between the construction of the single market and the fight against poverty and social exclusion: Eucken and SI under the pillow may well result in mere wishful thinking. The alternative is the rise of extremisms and/or centrifugal diaspora.

Is SI superior to pre-distribution? Preventing rather than curing usually results in higher growth prospects. Should they be combined?
Thank you very much for your attention!
Trust in own National Parliament (2003-2014)
Individuals who agree that Trade Unions have a positive role (%)
Income deciles
Percentage of disposable income paid to Social Security
Spain
France
Germany
United Kingdom