

# *Lecture 4: Changes and Reforms in Social Security and Welfare Policies*

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## *The Neo-classical ideology and New Right Governments*

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★ State provision of welfare service are inherently wasteful and bureaucratic



★ Shift the diversity of service from public sector to private sector, where the price mechanism would both increase freedom and choice for the consumer and ration scarce resources. → Market-led welfare provision





## *Targeted Welfare*

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★ Opposed universal benefits and services as paternalistic and inefficient



★ Accepted selective welfare provision, so long as it was ‘targeted’ and at those in ‘real need’





## *neo-classical economists*

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- ★ condemned radical social policy academics for inflating need – ‘needology’
- ★ condemned mainstream politicians for acceding to popular pressures to raise benefits to levels they considered a disincentive to participation in the labour market.
- ★ As long-term unemployment returned and became linked to wider social problems of family breakdown, crime and delinquency in the 1980s, the New Right critique of welfare to embrace the concept of underclass.





## *Underclass and welfare cut*

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★ was a section of society that was defined in term of its dependence on welfare benefits and held to demonstrate the demoralizing consequences of the “culture of dependency”



★ In 1980s, proposal of roll back the state in the provision of welfare, to shift services into the private sector and to extend the role of market in public sector.





# *Managerialism*

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- ★ is an international ideology on which rests the economic, social, and political order of advanced industrialised societies and from which arises the impoverished notion that societies are equivalent to the sum of the transactions made by the managements of organisations.
- ★ In this view, social institutions are primarily a function of the practices of management. Managerialism has also been characterised as a "set of beliefs and practices, (that) will prove an effective solvent for . . . economic and social ills" (Pollitt, 1990: 1).





## *instrumental reasoning*

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- ★ in the interests of efficiency, value does not inhere in the activity itself.
- ★ Weber's notion of the 'iron cage' of bureaucratic rationality explains the oppressive potential of a society that is increasingly governed by its logic of instrumental reason.
- ★ He predicted that the modern bureaucratic state would require the extension of means-end reasoning into more and more areas of social life.





## *Social decision disappear*

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★ In this new rational economic order, social decisions are defined within managerialism and, consequently, policy, politics, democracy, and ethics, disappear.



★ On these accounts, managerialism is emerging as a unifying force in the wake of the predicted breakdown of Fordist notions of production.







## *mode of governance*

- ★ managerialism has remained implicit as a mode of governance, preferring instead to account for itself explicitly as a mode of domination.
- ★ An alternative characterisation of managerialism is as a form of what Michel Foucault (1991) has termed Governmentality.
- ★ managerialism is a regime of governmentalising practices rather than a meta-narrative





## *From Welfare to Workfare*

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- ★ Workfare is an alternative model to conventional social welfare systems.
- ★ Traditional welfare benefits are available with little required of the recipient, save their continued search for employment, if that.
- ★ Under workfare, recipients have to meet certain participation requirements to continue to receive their welfare benefits.





## *requirements*

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★ a combination of activities that are intended to improve the recipient's job prospects (such as training, rehabilitation and work experience) and



★ those designated as contributing to society (such as unpaid or underpaid work)





## *Mutual Obligation*

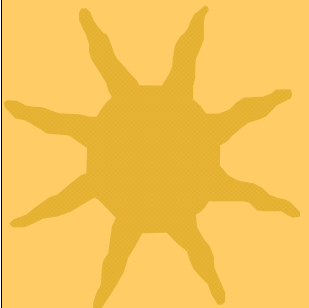
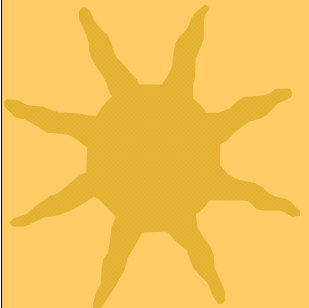
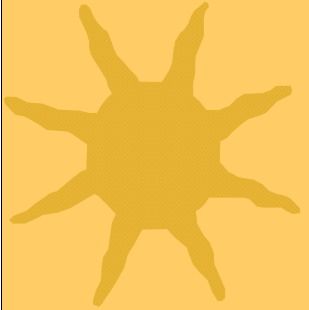
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- ★ These programs, now common in the United States, Australia (as "mutual obligation") and Canada, have generated considerable debate and controversy.





## *state-subsidised temporary work* (以工代賑)



- ★ In the Third World, similar schemes are designed to alleviate rural poverty among day-labourers by providing state-subsidised temporary work during those periods of the year when little agricultural work is available. For example, the National Rural Employment Guarantee Act (NREGA) in India offers 100 days paid employment per year for those eligible, rather than unemployment benefits on the Western model.



## *Workfare: US*

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- ★ *The recent US welfare reform, with its emphasis on work requirements, time limits for benefits and sanctions for non-compliance, can be viewed as an extreme example of this approach, also known as workfare.*
- ★ *The role of active labour market policies changes subtly in the context of an activation strategy.*
- ★ *They can then be viewed as a vehicle for enforcing a work test on the unemployed, especially in cases where the supply of job vacancies is low.*





## *conditional*



- ★ *In such cases, continued receipt of unemployment benefits becomes conditional on programme participation, as is the case in Denmark or Switzerland, and/or by offering a sufficiently wide range of programmes so that a maximum number of the unemployed will choose to enter them voluntarily.*
- ★ *In a related manner, there is a growing interest in many countries in the potential role which the rules used to control job-search behaviour and curb benefit abuse by claimants of unemployment benefits can play as part of an effective activation strategy.*



## Results of workfare

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★ *the evaluation literature suggests that these rules, if used intelligently and supported by effective sanctions, can help stimulate job search and serve to keep benefit claimants in touch with the labour market.*



★ *It is impossible at this stage to draw any definitive conclusions since most of the initiatives taken by countries are relatively recent and there are almost no rigorous evaluations of them available yet.*







## *some scattered evidence: UK*

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- ★ *combining elements of carrots and sticks, can work in terms of producing better labour market outcomes for the unemployed.*
- ★ *The UK Restart programme, which was started in 1987, can be viewed as a prototype for such strategies.*
- ★ *Under this programme, all persons unemployed for six months were obliged to attend a Restart interview at the PES. The interview assessed the individuals' job-search behaviour and motivation and assisted them with availing of other services and programmes to help them find a job.*





## *Workfare in UK*



- ★ *A rigorous evaluation indicated that Restart did work and, as a result, the periodicity of Restart interviews was increased during the 1990s.*
- ★ *The recent steps taken in Denmark to introduce activation strategies have been evaluated by the Danish authorities. Madsen (1998) argues that the preliminary evidence from the evaluations suggests that the activation strategies have*
- ★ *been successful in terms of improving employment prospects for the unemployed, especially for the young unemployed.*



## *Workfare in USA*

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- ★ *many workfare experiments were designed and operated by individuals US states in the 1980s and 1990s in advance of the 1996 welfare reform.*
- ★ *Solow (1998) reviews the rigorous evaluation evidence on the effectiveness of these workfare*





## *Workfare in USA*

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- ★ initiatives and concludes that they did have statistically significant effects in raising the employment and earnings prospects of welfare recipients, but the effects were not large.*





## *Workfare in USA*

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- ★ *Of course, as Solow recognises, one cannot generalise from the results of these individual workfare experiments to draw conclusions about the likely effects of the 1996 welfare reform.*
- ★ *There has been a sharp drop in welfare rolls since the reform, but there is an on-going debate as to how much of this decline is due to the booming US economy and how much to the policy changes.*





## *Workfare in USA*

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- ★ *Research by the Administration, summarised in OECD (1999c), suggests that almost one-third of the decline in welfare rolls since 1996 can be attributed to the reform, with most of the policy-induced effect being the result of sanctions for non-compliance.*
- ★ *In sum, while it is too early to judge the effectiveness of the range of activation strategies that have been introduced by some OECD countries in recent years, the early signs are quite promising.*





## *Workfare in USA*

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- ★ *It seems that a mix of carrot-and-stick elements in such strategies, combining use of active labour market policies and benefit sanctions in case of non-compliance, may well contribute to better labour market outcomes for benefit recipients.*
- ★ *However, other argues that the workfare just induce migration of unemployed from one state to another.*





# *Active Labor Market Policies*

## *ALMPs*

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- ★ Public spending on labour market programmes absorbs significant shares of national resources in many OECD countries, these policies being expected to achieve a variety of economic and social objectives.
- ★ For analytical and policy purposes, the OECD splits this spending into so-called “active” and “passive” measures







## *Active vs. Passive*

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- ★ Active: comprise a wide range of policies aimed at improving the access of the unemployed to the labour market and jobs, job-related skills and the functioning of the labour market
- ★ Passive: relate to spending on income transfers





## *Five Areas of ALMPs*

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- ★ **Public employment services and administration.**
- ★ **Labour market training**
- ★ **Youth measures.**
- ★ **Subsidised employment**
- ★ **Measures for the disabled**

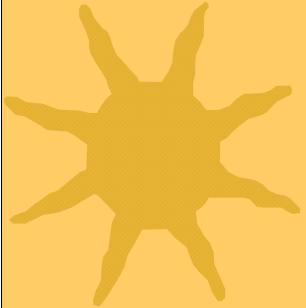




# The Social Risk Management (SRM) Model for Social Protection

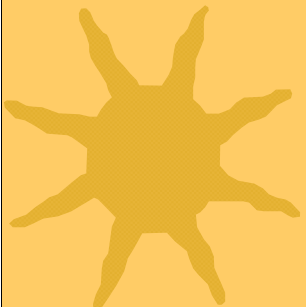
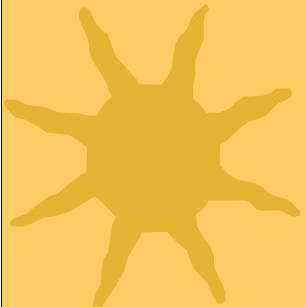
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★ *Holzmann (2003): The poor*

– *are typically most exposed to diverse risks: natural (e.g. floods) , man-made (e.g. war, inflation), health and political risks;*





## The Poor – Need of SRM

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- The poor have the fewest instruments to deal with these risks (such as access to government-provided income support and market-based instruments like insurance).*
- are the most vulnerable in society as shocks are likely to have the strongest welfare consequences for them; for welfare reasons, they should have increased access to SRM instruments*





## SRM Model

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- ★ *The high vulnerability makes them risk averse and thus or unwilling to engage in higher risk/higher return activities.*
- ★ *SRM would make the poor more risk-taking and thus provide the opportunity to gradually move out of poverty.*

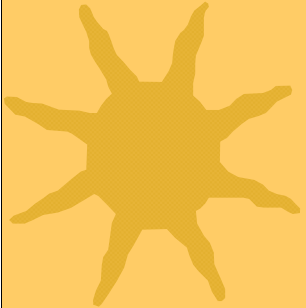




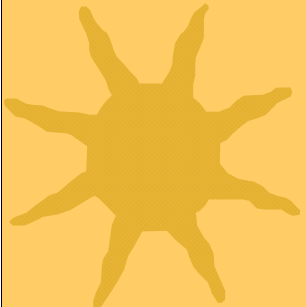
## SRM: a dynamic conceptual framework for social protection:

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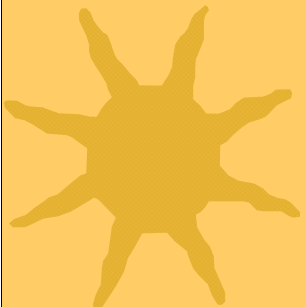
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★ *sources and the forms of risk matter: idiosyncratic (uncorrelated) vs. covariant (correlated among individuals);*



★ *purely idiosyncratic (micro or individually specific e.g. illness, widowhood or the break-up of family), to regionally covariant*



★ *(meso e.g. seasonal volatility in prices, drought), to nationwide covariant (macro) events (e.g. AIDS, wars and conflict).*



## idiosyncratic vs. covariant

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★ *For the former, more reliance can be given to informal or market-based SRM instruments;*



★ *for the latter, more government involvement tends to be required.*





## *From ex-post to ex-ante*

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- ★ *Since risk is not necessarily exogenous, there are many more strategy to deal with risks than simple insurance, including*
  - *risk reduction (e.g. disaster prevention strategies, public health investments, environmental policies, investment in education) ,*
  - *risk mitigation (address the risk before it occurs), and*
  - *risk coping strategies.*

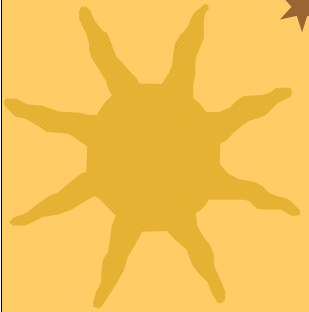






# Multiple institutional arrangements

- ★ *As private insurance markets tend not to emerge or break down in view of asymmetric information, there are three main institutional arrangements for dealing with risks:*
  - *informal,*
  - *market-based, and*
  - *publicly-provided mechanisms.*
- ★ *multiple suppliers of RM instruments:*
  - *individuals. Households, communities, NGOs, market institutions, government, international organizations, and the world community at large*
- ★ *and distinct demanders*





# *Risk Reduction*



## ★ Informal

- Less risk production
- Migration
- Proper feeding and wearing practices
- Engaging in hygiene and other disease-preventing activities



## ★ Market-based

- In-service training
- Financial market literacy
- Company-based and market-driven labor standards



# *Risk Reduction*

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## ★ Public

- Labor standards
- Pre-service training
- Labor market policies
- Child-labor reduction interventions
- Disability policies
- Good macroeconomic policies
- AIDS and other disease prevention





# *Risk mitigation*

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- ★ Portfolio

- ★ Informal

- Multiple jobs
- Investment in human, physical, and real assets
- Investment in social capital (rituals, reciprocal gift-giving)

- ★ Market-based

- Investment in multiple financial assets
- Microfinance rights (especially for women)





## *Risk mitigation*

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### ★ Public

- Multi-pillar pension systems
- Asset transfers
- Protection of poverty rights (especially for women)
- Support for extending financial markets to the poor





# *Risk mitigation*

★ Insurance

★ Informal

- Marriage/Family
- Community arrangements
- Share tenancy
- Tied Labor

★ Market-based

- Old-age annuities
- Disability, accident, and other personal insurance
- Crop, fire and other damage insurance

★ Public

Mandated/provided insurance for



# *Risk Coping*

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★ Informal

– *Selling of real assets*



★ Market-based

– *Selling of financial assets*



★ Public

– *Transfers/ social assistance*