

Poverty Reduction and Social Security Cracks in a Policy Paradigm

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Expert group meeting New research on inequality and its impacts

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United Nations Headquarters

Social Security and the Post War Consensus

The welfare state for growth & full employment

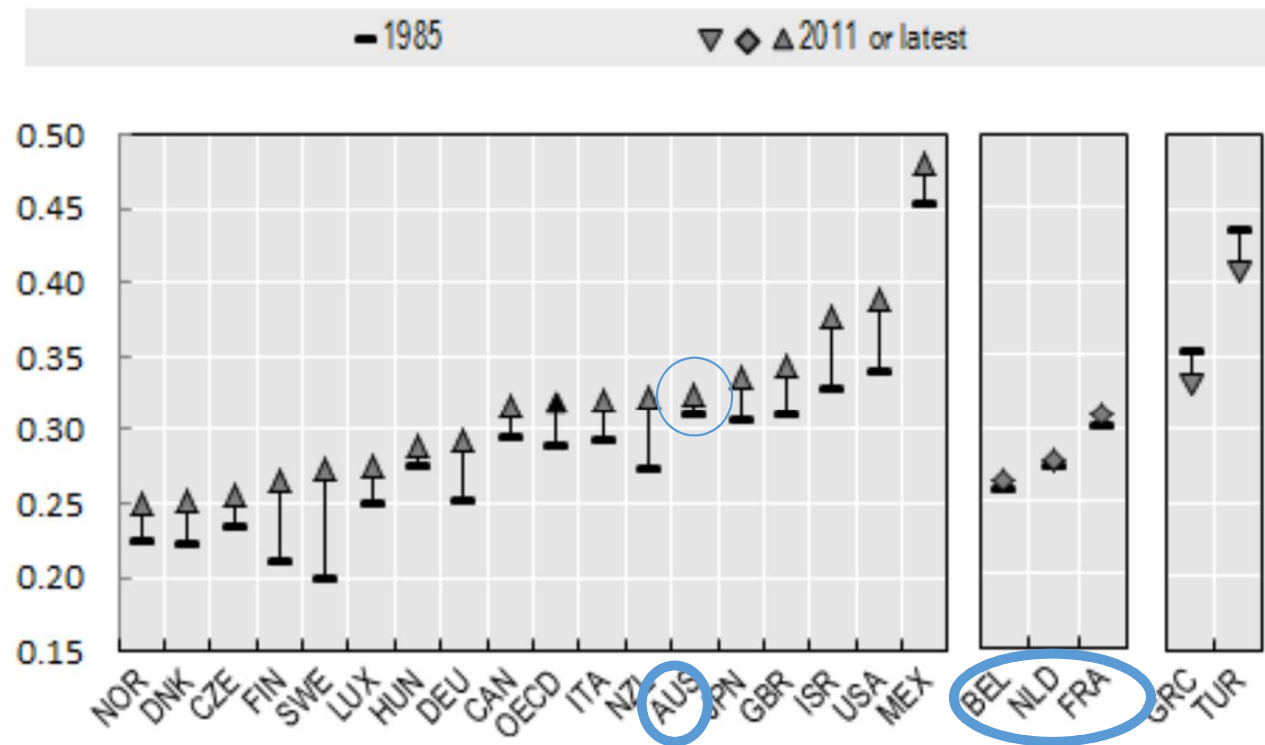
Profits => wages & social security (indirect wages)

Within the boundary of the national welfare state

The Great Disappointment

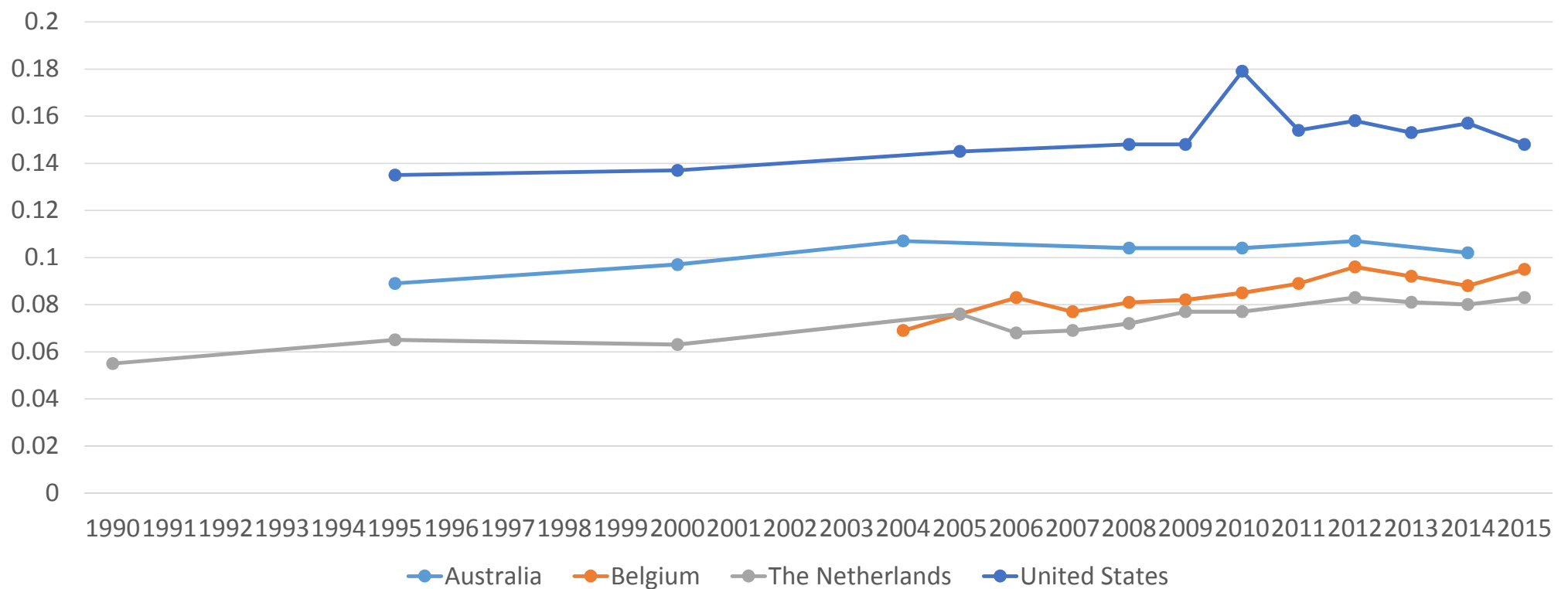
Increasing inequalities

Gini-coefficients, mid-1980s and 2011/12



Poverty increase

50% poverty line, working-age population



Source: OECD Income Distribution and Poverty Database.

Why ?

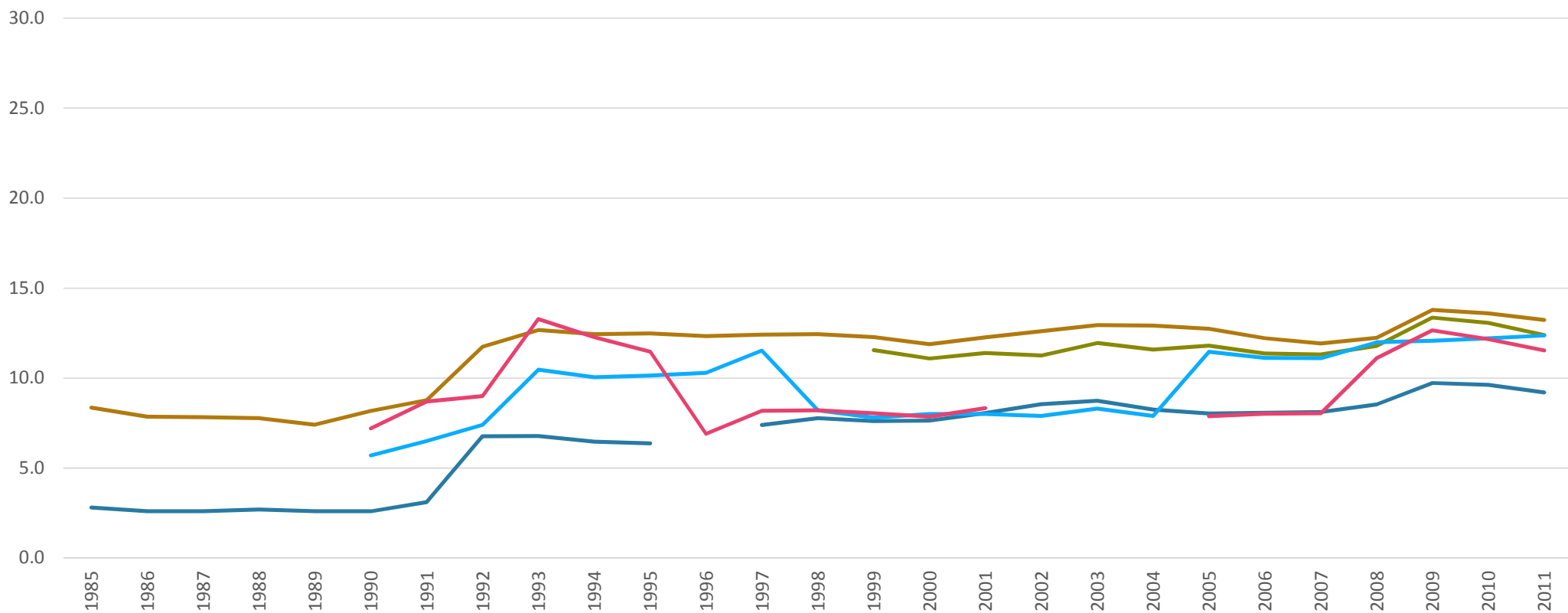
The puzzle

- Growth of Employment : jobs, jobs, jobs...
- Growth of Incomes : the pie...
- Active welfare state & social investment : “prepare instead of repair”
- High & shifting social spending

=> Increasing poverty rates

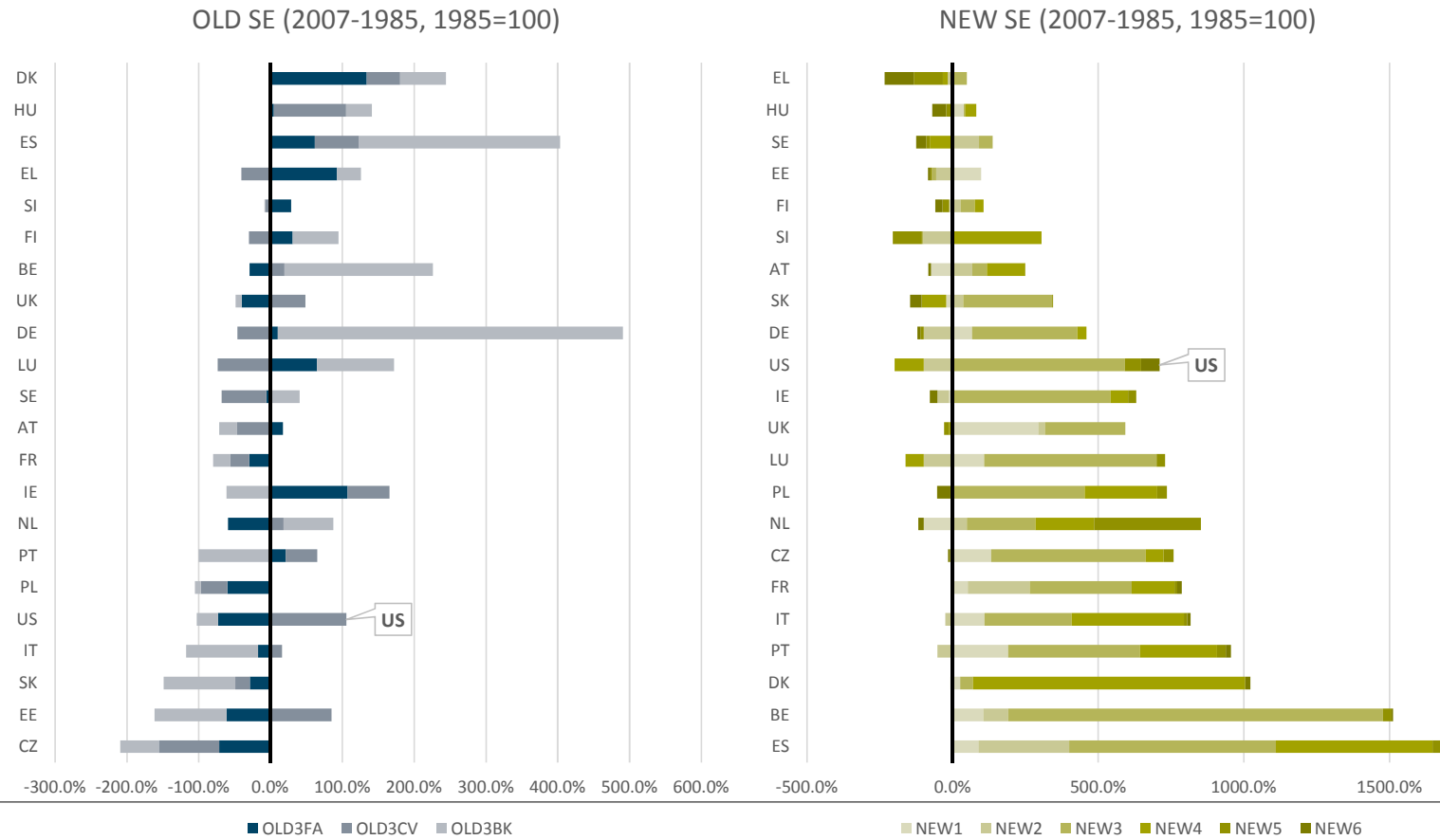
Running harder to stand still

Total Social Expenditure for Active Age (in % GDP), EU21, US, AUSTRALIA & CANADA



Source: OECD SOCX.

Percentage change of 'old' and 'new' expenditures, 2007-1985 (1985 = 100), EU21+US

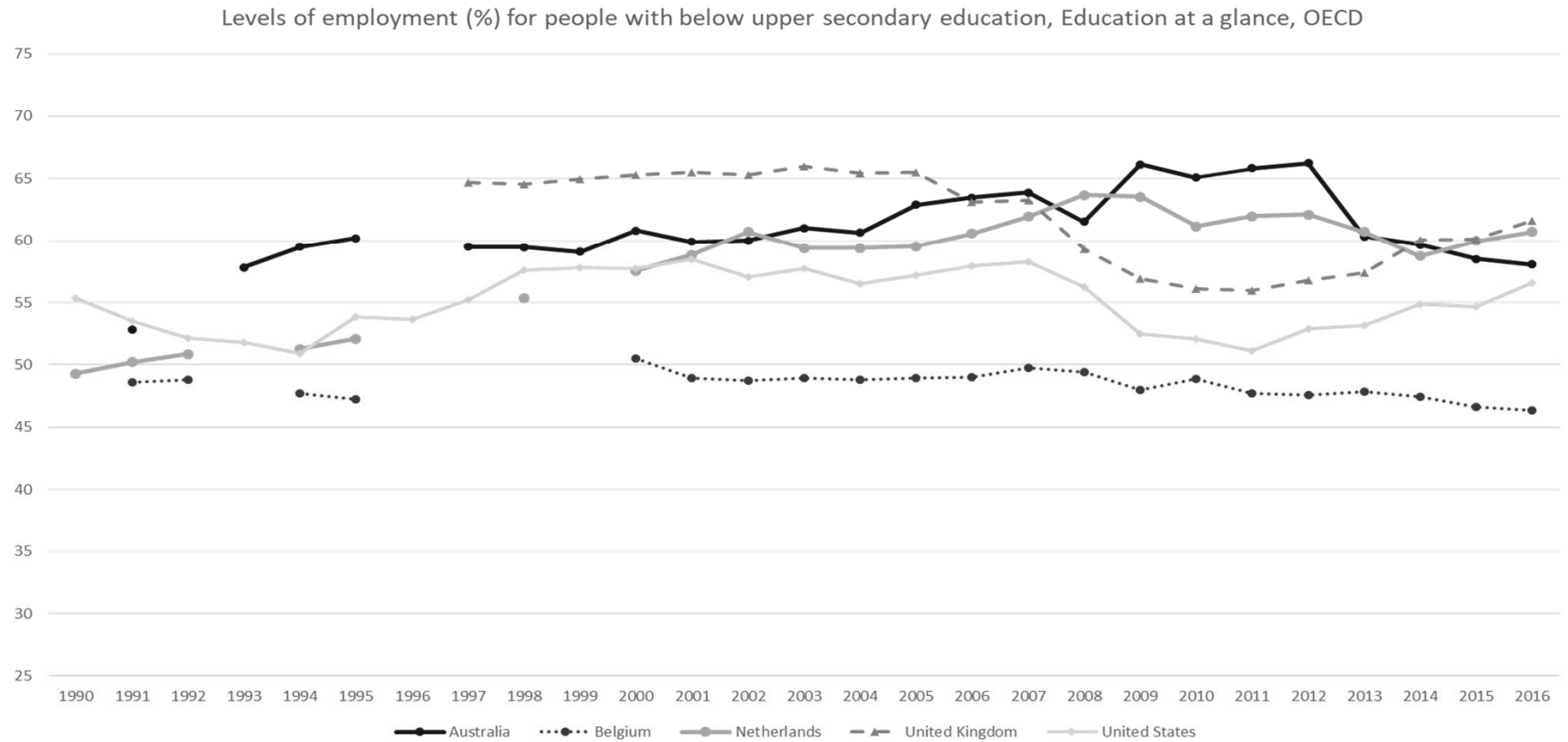


Source: OECD SOCX, demography and education data.

WHY ?

1. Changing employment structure : the unequal distribution of jobs among individuals & precarious, uncertain and unpredictable work increased in a large majority of countries

Low skilled did not benefit from employment growth

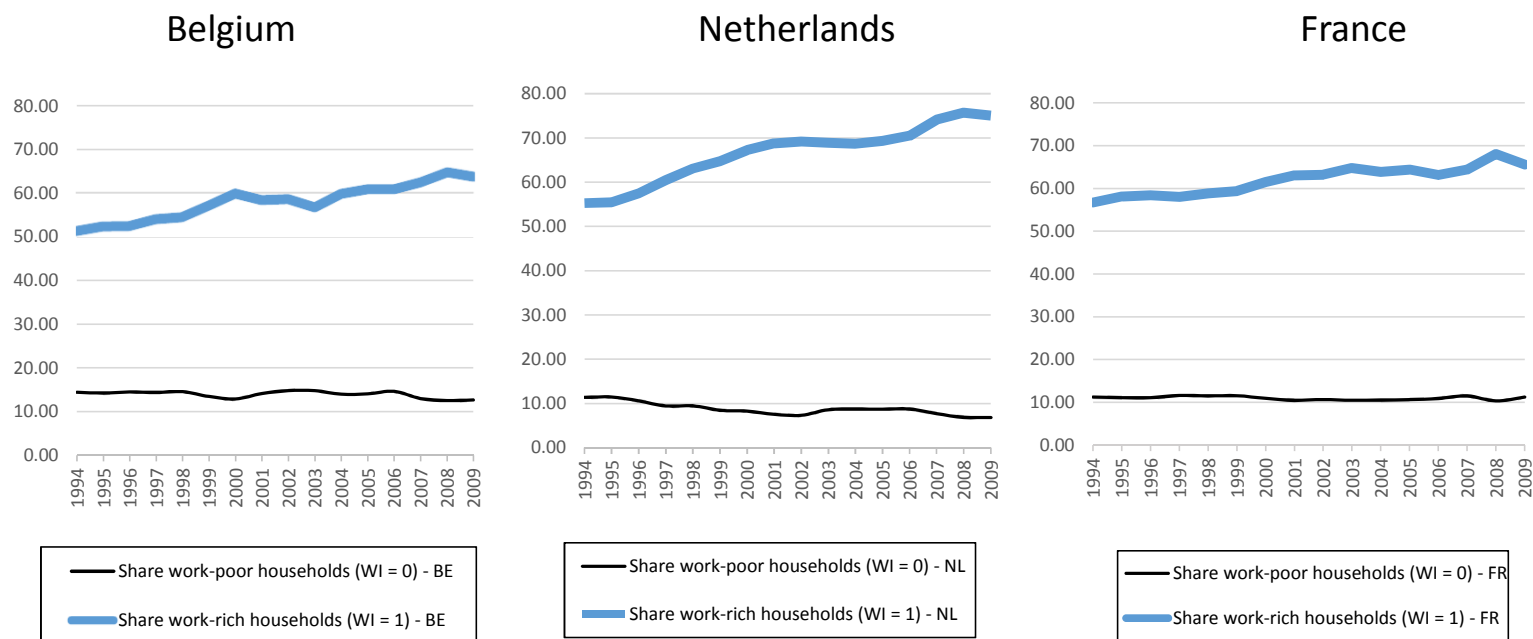


Source: OECD (2017) *Education at a Glance*.

1. Changing employment structure : the unequal distribution of jobs among individuals & Precarious, uncertain and unpredictable work increased in a large majority of countries

2. Changing family structure & homogamy : the unequal distribution of job growth among *households*

Polarization among job rich and job poor households

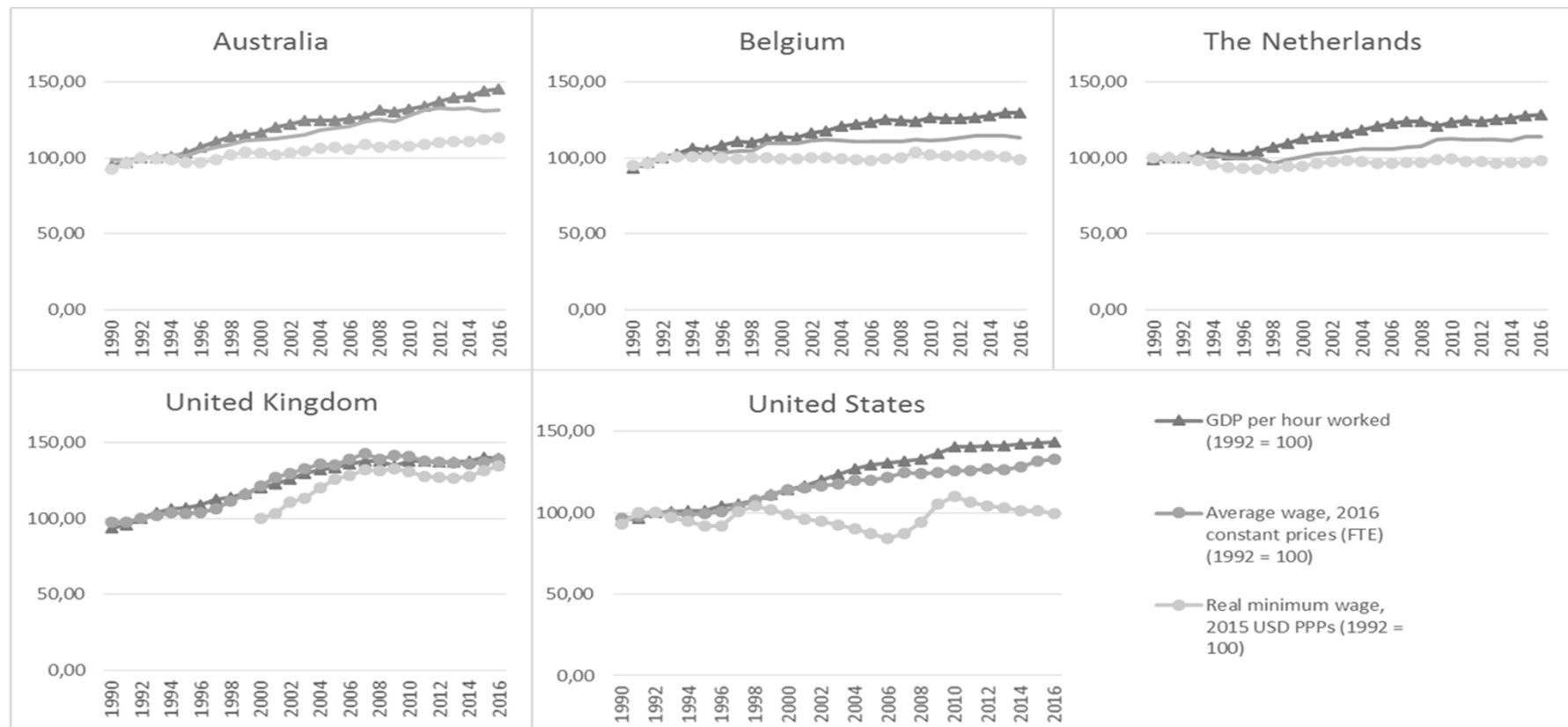


Note: Risk of poverty measured with European poverty line, i.e.60% of the standardized income.

Source: Labor Force Survey data, calculations by Vincent Corluy and Eurostat, 2017.

1. Changing employment structure : the unequal distribution of jobs among individuals
2. Changing family structure & homogamy : the unequal distribution of job growth among *households*
- 4. Decoupling productivity and (low) wage growth**

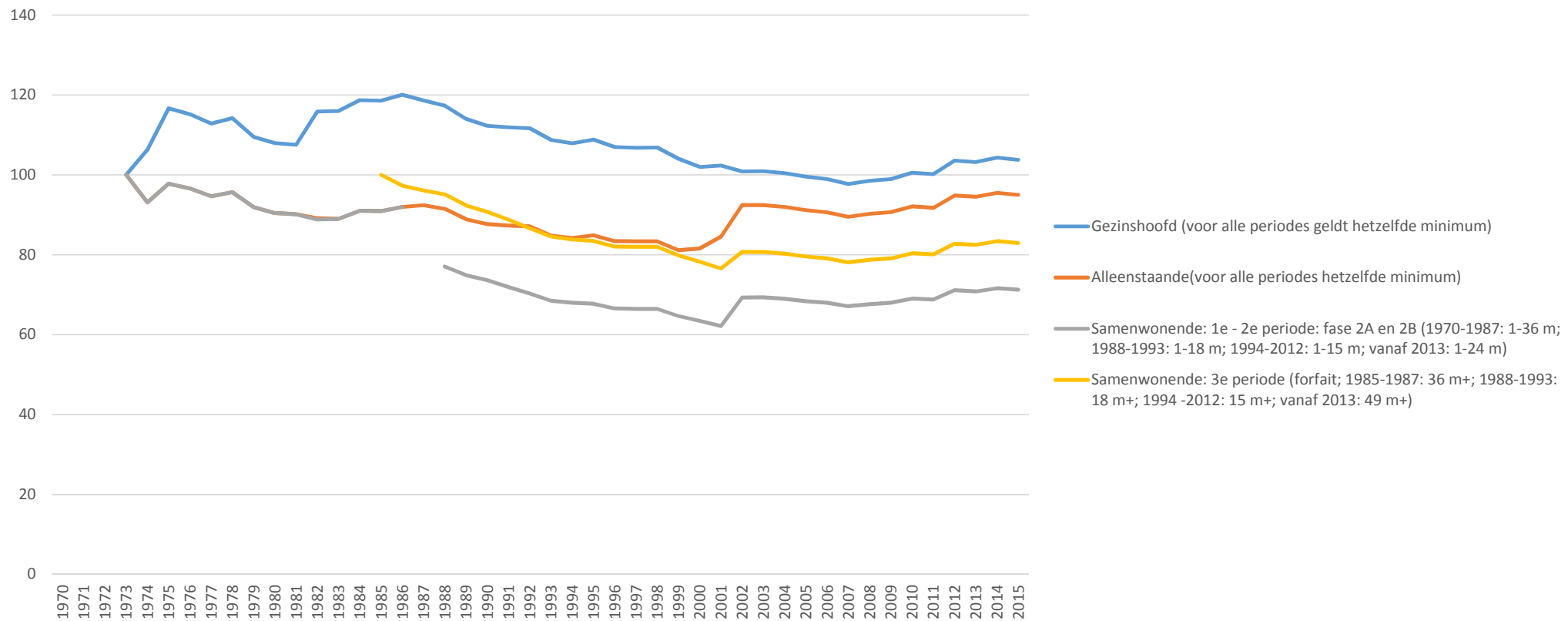
Decoupling productivity and (low) wages



Source: OESO: productivity data, Labour – earnings data.

1. Unequal distribution of jobs among individuals
2. Unequal distribution of jobs among households
3. Downward pressures on low wages
- 4. Downward pressures on *social protection for jobless households***

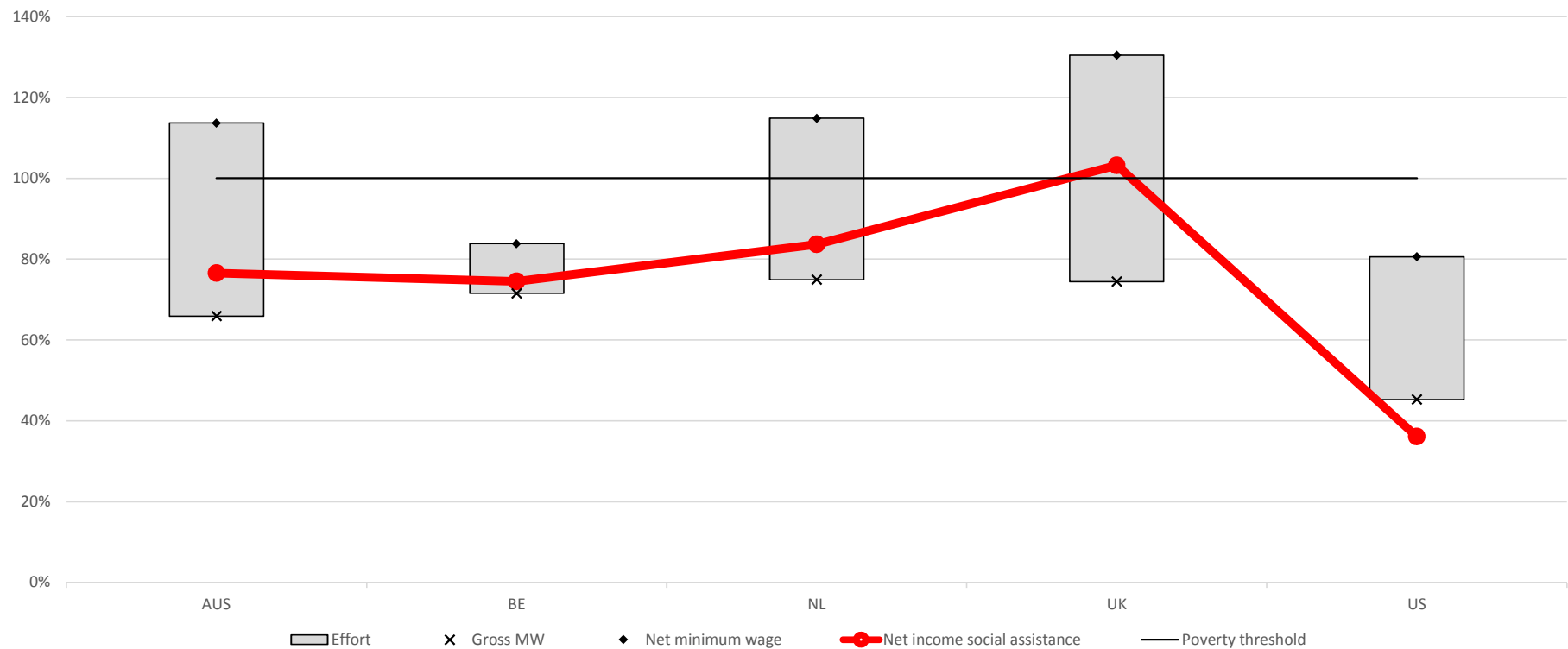
Belgium : unemployment benefits as a % of average wage , 1973 = 100



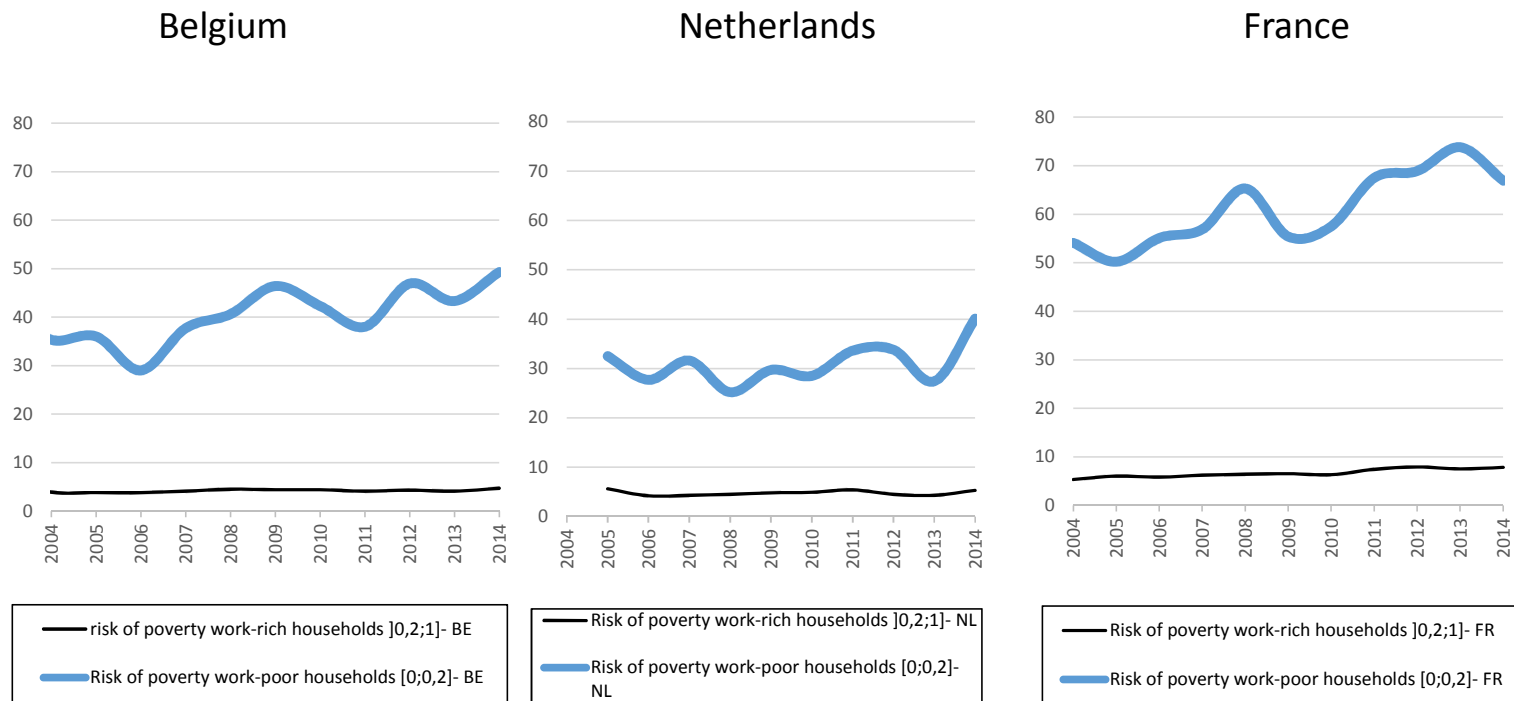
Noot: *Gemiddelde loonmassa per VTE: 1995-1998 gebaseerd op evolutie loonmassa per effectieven; 1999- 2013 gemiddelde loonmassa per VTE; gecorrigeerd voor tijdreeksbreuken. Sociale uitkeringen: 1970-2011 januaribedragen en 2012-2015 junibedragen.

Bron: KOWESZ, berekeningen Centrum voor Sociaal Beleid Herman Deleecq door Linde Buysse.

The adequacy of minimum incomes for household with lone-parent and two children, expressed as % of the European poverty line defined as 60% of mean equivalised household income , 2015.



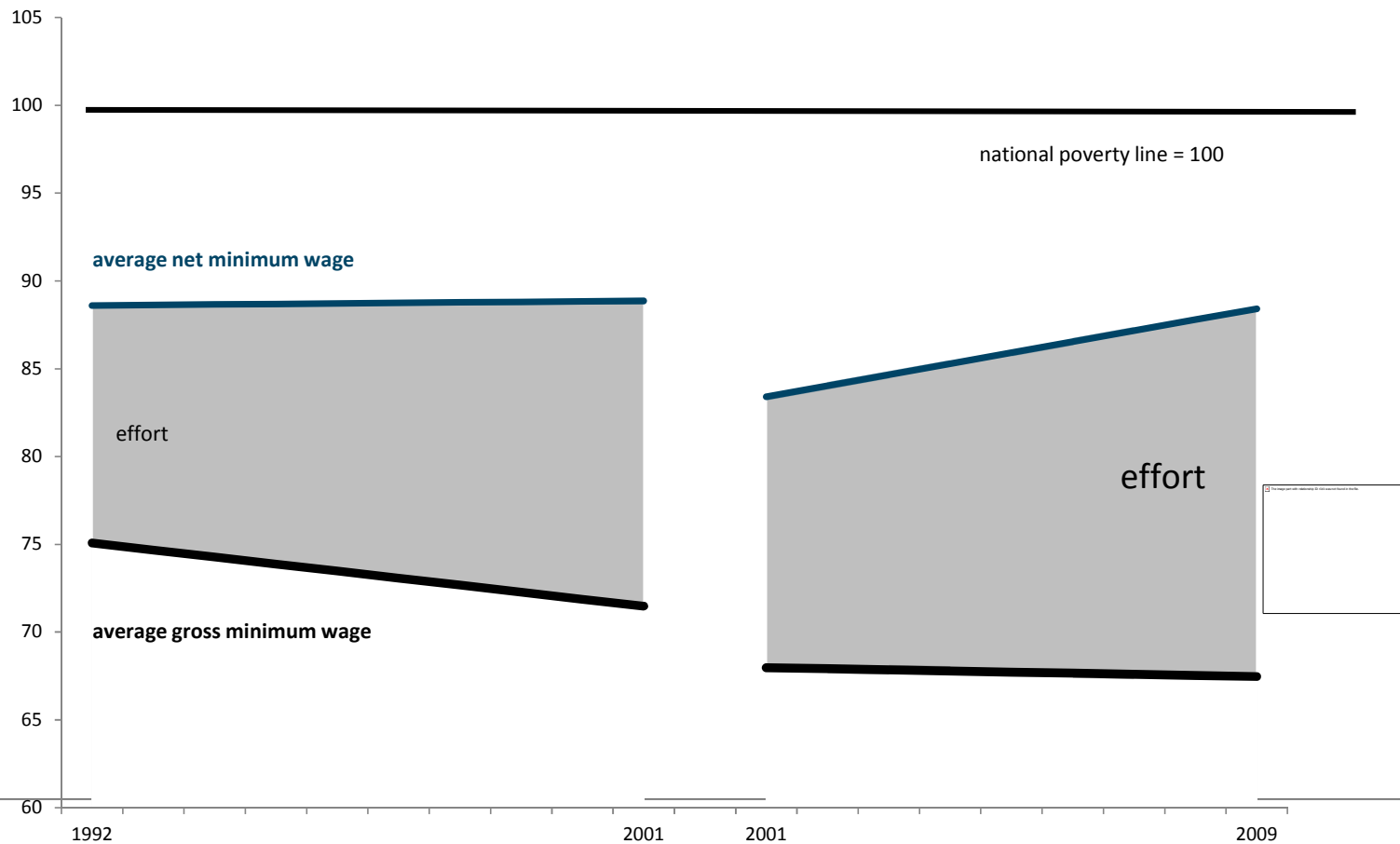
Increasing vulnerability among work poor households



Note: Risk of poverty measured with European poverty line, i.e.60% of the standardized income.

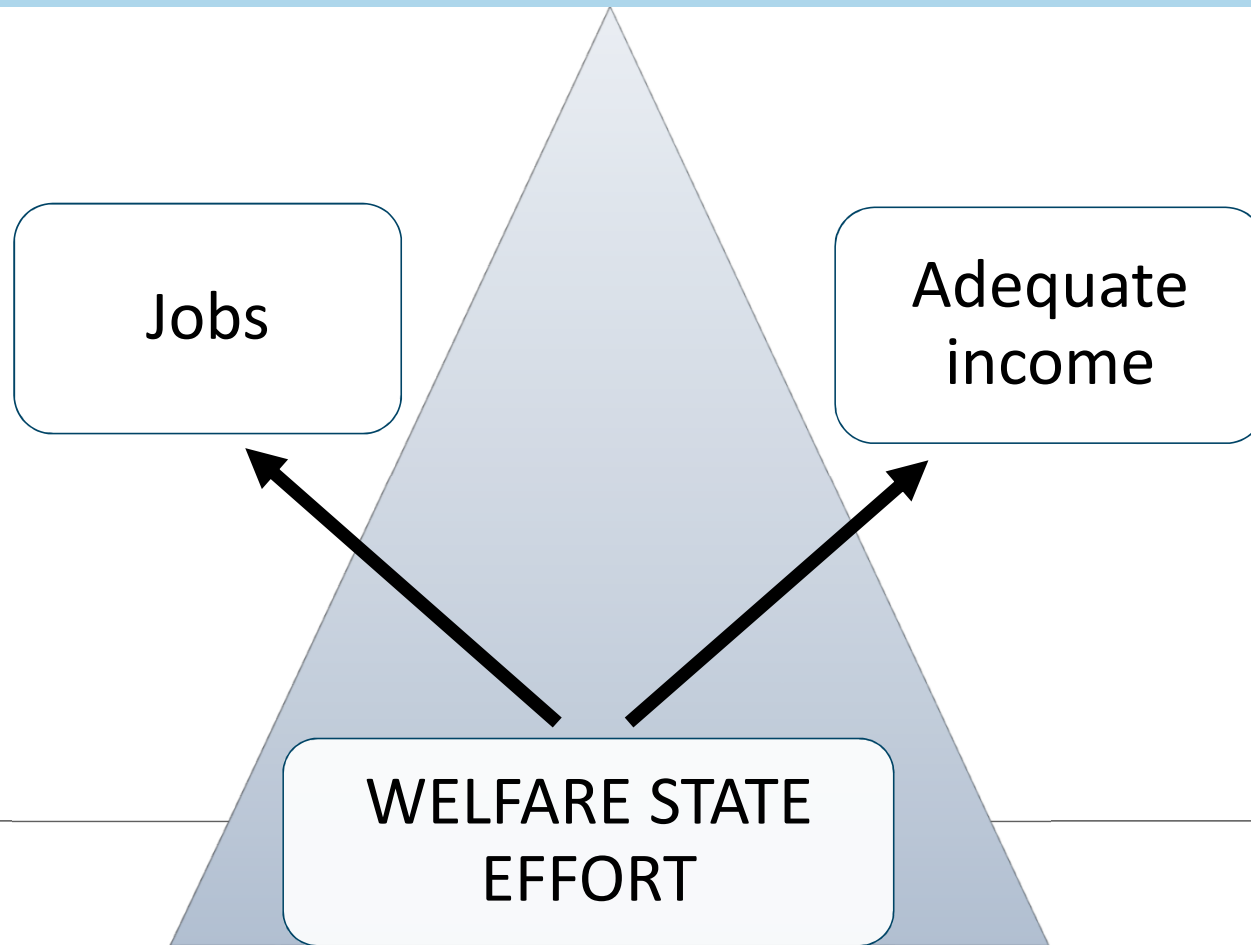
Source: Labor Force Survey data, calculations by Vincent Corluy and Eurostat, 2017.

Poverty reduction : running harder to stand still

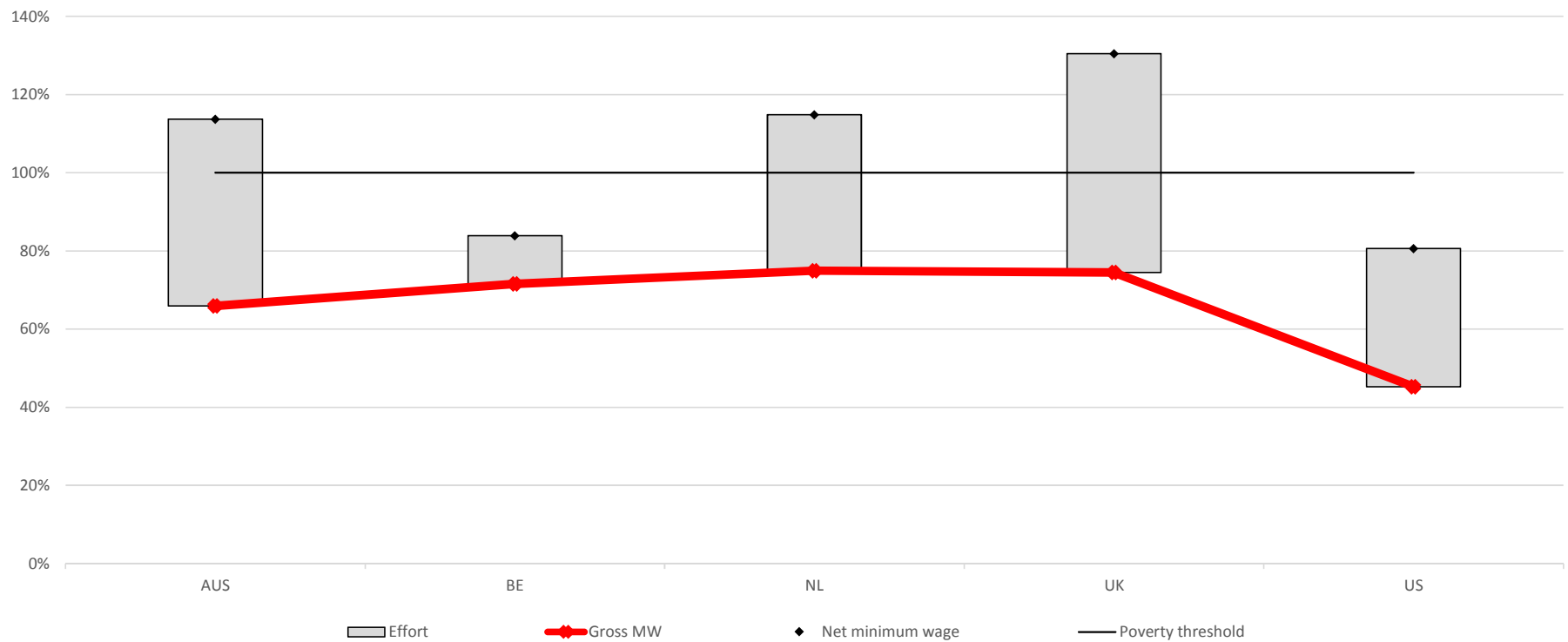


The crack in the policy paradigm

Running harder to stand still

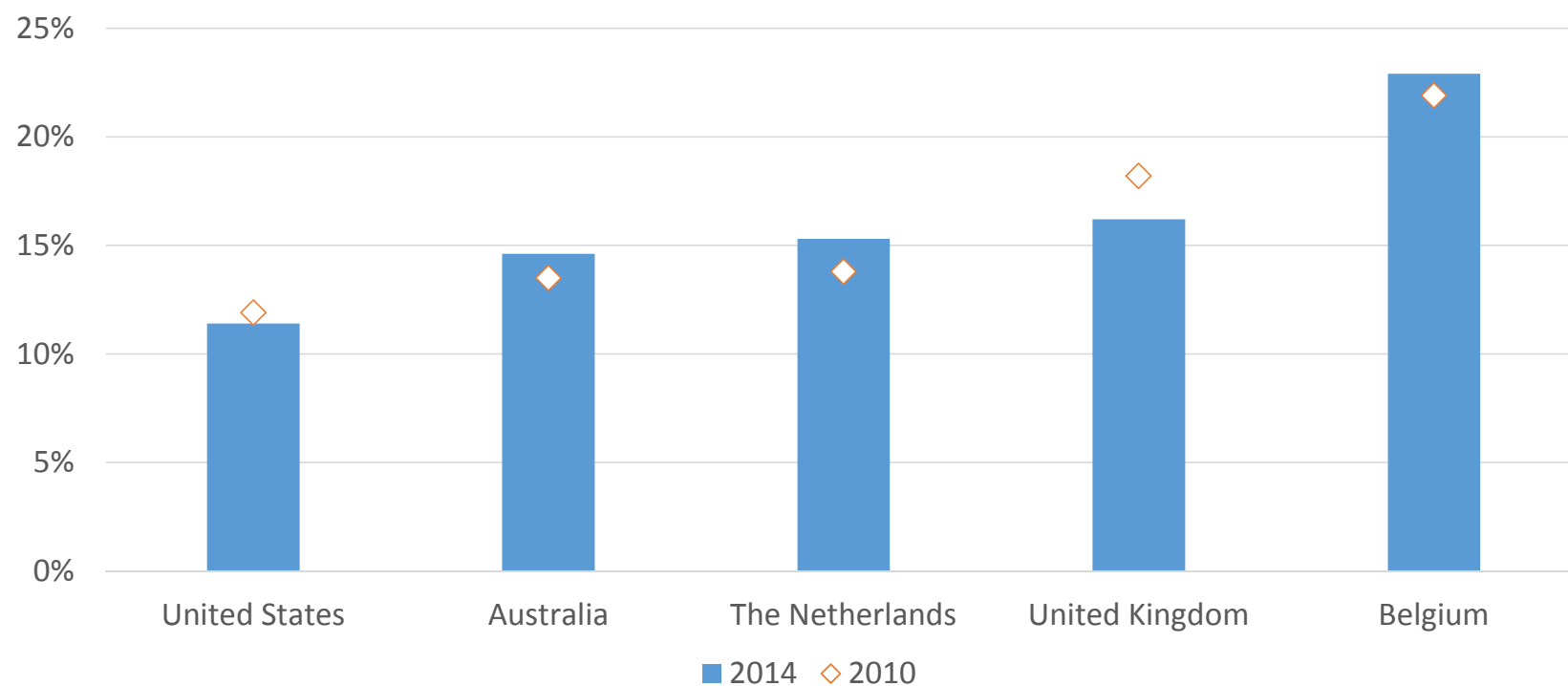


The Glass Ceiling of minimum incomes



Social Fabrics at work

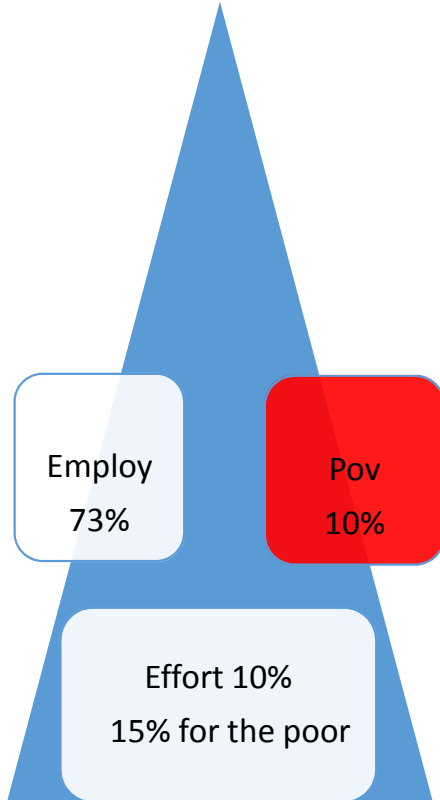
Social Fabrics at work : percentage reduction of market income inequality due to taxes and transfers, 2007 – 2014



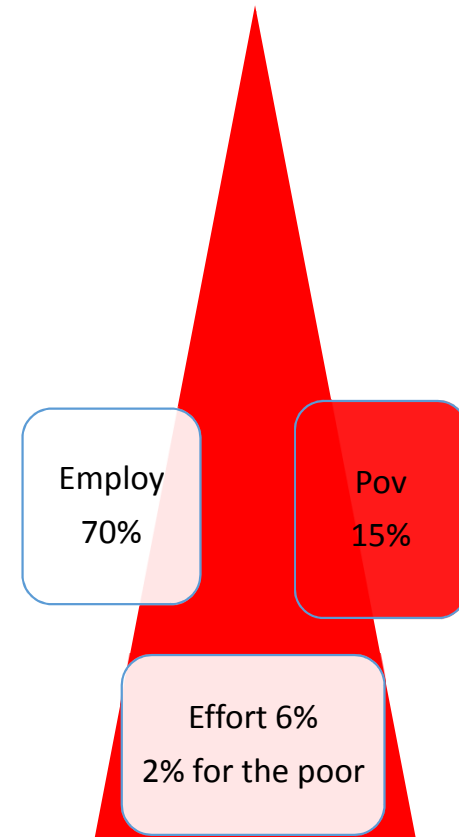
Source: OECD IDD database (accessed 8 February 2018).

Social Fabrics at work (working age)

Australia

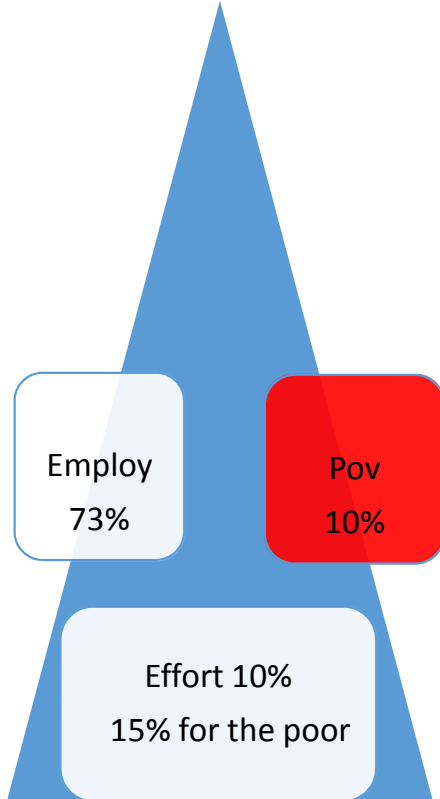


US

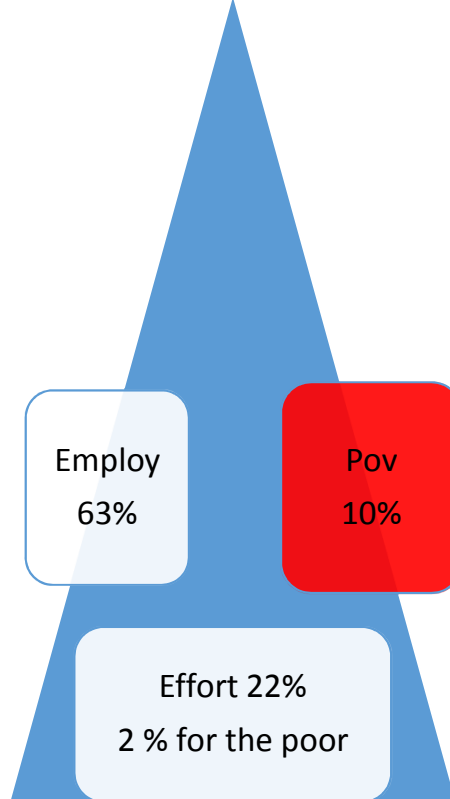


Social Fabrics at work

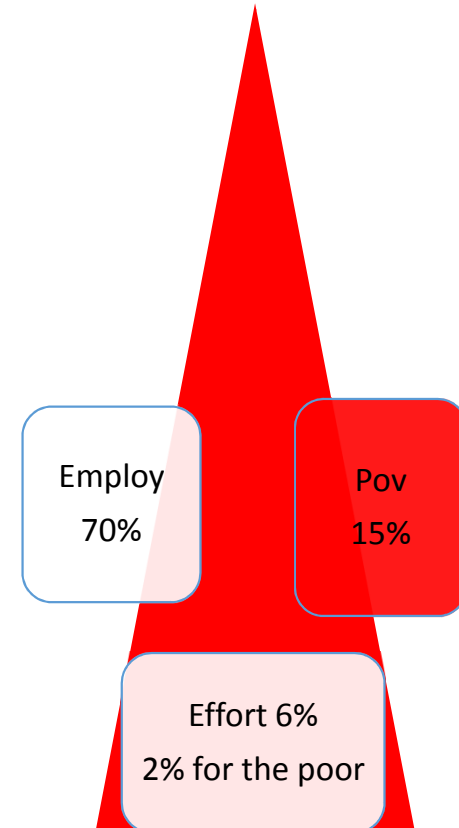
Australia



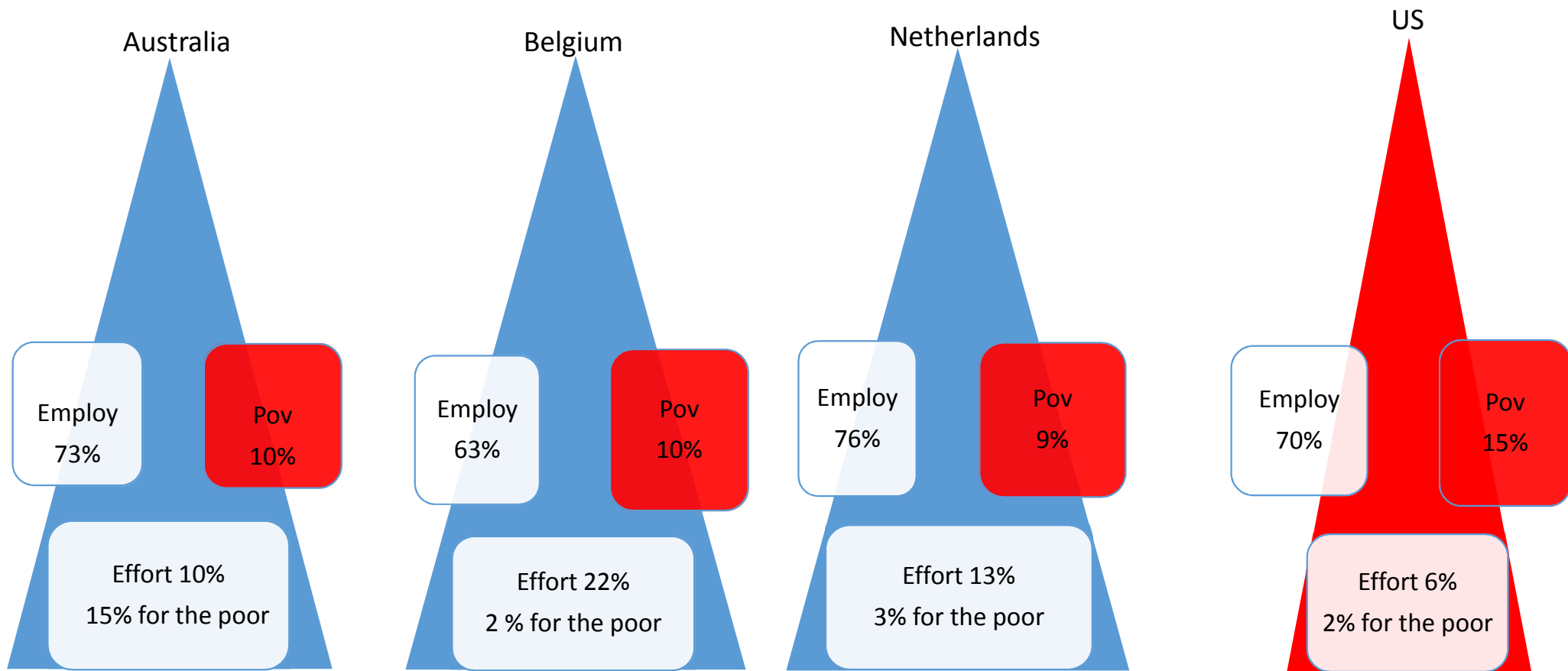
Belgium



US



Social Fabrics at work



What can be done ?

- No “one fits all” solutions (e.g. Belgium : increase progressivity and strengthen in work benefits ; NL : rebalance non-standard work ; AUS : introduce elements of universality)
- As a general rule : increase efforts
 - strive for less market income inequality
 - better social protection for the poor
 - stronger investment in human capital
 - job creation in the social service sector
- Mixing logics (Robin Hood, Piggy Bank, Lions)