

Crumbling Pillars:

Social Security Futures

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Abstract: Social security rests on four pillars: the state, the market, the family and the community. The first three pillars are all collapsing, at the same time as the state pillar is being undercut. The root cause of that collapse is 'destandardization' of various sorts. It no longer is the case that everyone's situation fits into one of a few broad categories, thus making our ordinary conditional and categorical social benefit programmes increasingly inappropriate responses to social need. One alternative might be to make responses to need utterly discretionary, with either state or voluntary sector suppliers. A better alternative would be to make social benefits utterly unconditional, ideally through the participation-income version of basic income.

Our Present Predicament

Social security famously rests on four pillars: the state, the market, the family and the community. Econocrats at the World Bank and Organisation for Economic Co-operation and Development remind us of that fact, hoping to persuade the state to step back and leave more space for those other sectors to shoulder a larger share of the burden.

From Britain and America to Germany and Australia, politicians of the 'radical centre' enthusiastically embrace that suggestion worldwide. They cut back public pensions and encourage people to take out private pensions instead (or in addition), as through compulsory private superannuation in Australia and the new Stakeholder Pension in Britain. They promote deinstitutionalization and 'care in the community', shifting the burden from public to private spheres for caring for everyone from frail elderly to the mentally ill. They try to move people from 'welfare to work', shifting people off public welfare rolls and on to private payrolls, whether by gentle means (the UK's 'work-oriented interview', for example) or harsh ones (such as the 'two years and you're out' policy at the core of the 1996 US welfare reforms). They raise the age for young people being considered independent of their parents for purposes of means-testing of public benefits (to 18, now, for unemployed Australians), hoping thereby to force young people to rely on the resources of their families rather than the state.

The proffered justifications for such policies are many and varied. In part, they are driven by ideology: the ethics of self-reliance, or the economics of efficiency and market forces. In part they are driven by demographics: the spectre of an 'old age crisis', with escalating pension and health care costs as the bulge of baby boomers works its way through the population. In part they are driven by spectre of 'competitiveness' and globalization: in an open economy, it is said, we cannot expect to remain internationally competitive if we treat our workers any better than the worst-treated worker anywhere in the world.

There are reasons to doubt each of those arguments, but for present purposes let us put most of that to one side. Here let us focus on just one central fact. Whatever else we say for or against such welfare reforms, all of those cutbacks in state provision are crucially predicated on the assumption that the other three pillars the market, the family or the community are actually capable of bearing more of the weight. That, I suggest, is radically untrue. All of those other pillars are themselves crumbling at the same time the state pillar is being chipped away.

Consider first the family pillar. In future, the family is not going to be able to provide the support it used to do, for various reasons. Among them are these:

Families themselves are breaking down more often than before. In peasant societies, multiplying your number of children was traditionally thought to be a good old-age insurance policy. Multiplying your number of ex-partners is not.

In any case, children are less useful than they used to be. Families are having fewer children, and those they do have are increasingly mobile and hence less likely to live nearby when help is needed. Peter Townsend's classic study of The Family Life of Older People found that in mid-century Bethnal Green nearly ninety

percent of the elderly had at least one of their children living within a five minute walk. That, clearly, is a thing of the past for most families nowadays.

Women, who used to be the family's 'reserve army of carers', are increasingly entering the paid labour force, leaving little time to discharge unpaid caring functions.

By the same token, the market is not the bulwark of social security that it used to be. The reasons, again, are many and varied. Among them are these:

The 'standard employment relationship' full-time, full-year, whole-life employment with the same firm is largely a thing of the past. People are increasingly having chequered employment histories. Occupationally-based social security benefits predicated on the assumption of the old 'standard employment relationship' will therefore be decreasingly beneficial to an ever-larger proportion of the workforce.

'Flexibilization of the workforce' contracting out and the like reduces labour costs largely by eliminating on-costs. Individuals or groups anxiously competing for contracts have pared expenses to the bone; and one of the first expenses they pare away is proper funding of their own long-term social security needs. It is a clear case of self-exploitation, strictly on a par with the competitive logic underlying Marx's law of increasing immiseration (the only way firms can compete is to cut wages, thus immiserating their workers).

In any case, personalized private social insurance schemes are bad investments compared to public ones. A study done at LSE for the Rowntree Trust found that the premium-to-payout ratios of privatized schemes there were systematically worse than public ones. That is perfectly understandable. Set aside issues of profiteering and adverse selection (bad risks piling in, good risks opting out). It is simply inherent in the actuarial logic of small, boutique, personalized insurance schemes that they need to have bad premium/payout ratios. In large and unsegmented insurance pools, the law of large numbers works to ensure everything can be counted on to balance out. In small, segmented pools, it is altogether too possible for everyone to suffer worse-than-average luck at any given moment; and smaller insurance pools simply have to charge higher premia to protect themselves against that down-side risk.

Finally, the community sector is under pressures similar to those plaguing the other two, making it decreasingly capable of an independent response when the other sectors fail.

- 1) Increasing female labour force participation deprives the community sector of its previous pool of unpaid voluntary labour.
- 2) As voluntary labour is increasingly replaced by paid employees, the motivational distinctiveness of the charitable sector is increasingly lost.
- 3) Services which were previously provided by public agencies are increasingly contracted-out to private providers, either in the market ('private-for-profit') or in the community ('private not-for-profit') sectors. In the process of competitive tendering, private not-for-profit providers are increasingly obliged to mimic private for-profit ones. In part, that is because they are competing for the same contracts, responding to the same 'tender briefs', trying to do the same things in the same ways. In part, it is because 'competition policy' requires parity among all tenderers, thus obliging non-profits to conform to the same rules and procedures that have long governed private for-profit providers in the market sector. The upshot, once again, is that the independence and distinctiveness of the voluntary community sector is increasingly compromised.

The long and the short of the matter is thus that the state is backing out of the business of social welfare provision at just the same time as the other classic pillars of social security are being eroded as well. All the pillars are collapsing at once, for all too many people. Not everyone, to be sure: many people are still blest with stable marriages, caring kin and communities, secure employment and comfortable benefit entitlements. But increasing numbers of people are suffering increasing insecurities on all those fronts. For them, market, family and community pillars prove to be woefully inadequate substitutes for reduced state provision for social security.

Destandardisation

Prognosis turns naturally on diagnosis. To decide what the future of social security is and ought to be, we need to determine why the other pillars are collapsing and what that might imply for the design of an optimal system of

state support to fill the gap that they are leaving.

In its most general terms, the story of the collapse of the other pillars amounts to variations on a theme of 'destandardization'. That is central to the story of the 'flexibilization of the workforce'. The end of the 'standard employment relationship' (full time, full year, whole life) means that people's employment patterns are going to be distinctly 'non-standard' and idiosyncratic from now on. What follows from that, in the market sector, is that occupational benefits are no longer reliable ways of securing people's social security needs in the same way they were when Titmuss wrote his classic paper on 'The Social Division of Welfare'.

In the family sector, too, people's relations are becoming increasingly idiosyncratic and non-standard. The old model of 'mother, father and two children' is decreasingly the norm. It may just be a matter of serial monogamy replacing lifetime fidelity. Nonetheless, people's family affairs are increasingly characterized by a bewildering array of obligations in the backwash of partnerings and repartnerings (and past partners' partnering and repartnering, and so on). Not only is the nuclear family no longer the standard family type: to a very large extent, there is now no single standard family type, nor even any small set of family types; each person's family circumstances increasingly tend to be *sui generis*. Those are broad generalizations and stylized facts, once again: but once again, they are true enough for enough people that, looking ahead, we ought to be thinking about future social policy in those terms.

If there is no longer any one standard employment relationship or one standard family form, then that has important consequences for state policy as well. Welfare states have historically relied heavily upon 'categorical benefit' programmes of one sort or another to target assistance on the 'deserving poor'. Insofar as there are whole broad categories of people who cannot reasonably be expected to earn their own living (traditionally, the old, the disabled, the widowed and orphaned), targeting public assistance on people in those categories allows us to pay generous benefits without fear of introducing disincentives for those who really ought to be working for a living. But categorical benefit programmes are not the only ones relying on categorical criteria. Even what are conventionally considered 'universal' benefits have always been characterised by some categorical gateways. The 'universal' old-age pension is available only to people of a certain age, the 'universal' family allowance is available only to households with children of a certain age, and so on.

No doubt such categories and conditions can sometimes be highly convenient ways of batch-processing social claimants. They work just fine, so long as everyone's circumstances can be adequately captured in a few simple categories and conditions. In previous eras they could. The vast majority of people used to fit one or another of a very few employment patterns or family types. Categories, and conditions framed around them, used to guide social policy tolerably well, in consequence.

Now, however, we can no longer count on a few standard categories or conditions being able to capture the experiences of a sufficiently large proportion of people in our societies. Any standard categories or conditions increasingly illfit any given individual's actual experiences, both occupationally (with the flexibilization of the labour market) and personally (with the flexibilization of the marriage market). The upshot is that we will have increasingly to abandon categorical and conditional modes of social policymaking, if we want our social policy to cater to people's real needs and actual circumstances.

A Dystopian Vision

Given that diagnosis of the new circumstances of social policymaking, there are two obvious scenarios for future development, one dystopian and the other utopian. The dystopian response would be, 'Back to the old poor law and Lady Bountiful!' Poor Law-style Guardians can, and historically did, assess each individual's case on its own peculiar merits, treating each case coming before them *assui generis*. Lady Bountiful and private charities more generally similarly tailored their benefices to individuals' peculiar circumstances (as those benefactors perceived them).

Case managers are increasingly being asked to behave in this way. It happens most obviously, and perhaps most obnoxiously, in connection with the more draconian workfare schemes. But it also happens whenever case managers are putting together packages of community services for 'clients' whose capacity to pick up and take their business elsewhere is strictly limited. That amounts to giving one person absolute discretionary power over resources that another person needs in order simply to survive. The subjugation of one person to another's will which is thereby produced is, or can be, almost total.

If people's circumstances really are *sui generis*, though, and if we really do want social provision to respond to each person's peculiar circumstances, then there is no obvious way to hedge caseworkers' discretion through any substantive stipulations. At most, we will have to trust procedural requirements of due process and administrative law to prevent proper discretion from turning into petty tyranny. Such procedural guarantees are far from ironclad, even as applied to public agencies; and they are even less so when it comes to contracted-out private providers, be they in the market or community sectors.

Ironically, the market sector might actually be the easier to manage in this respect. With private-for-profit providers, at least we know what motive drives them. With that knowledge, we can surmise and try to forestall at least some of the possible abuses that profit motives might provoke. Private not-for-profit providers are no less capable of abusing their discretionary power over needy clients (requiring starving people to sing paeons in praise of the Lord as the price of their soup, and such like). But controlling the arbitrary discretion on their part is harder. They are working to an agenda of their own (otherwise they would not be in the business of welfare provision at all). But their aims are more variable and less transparent. The abuses to which they are prone, in the exercise of their discretion, are less easy to codify and to regulate, in consequence.

A Utopian Vision

Giving case managers, public or private, absolute discretionary power is, however, only one way to respond to the fact that people's circumstances are so variable that they cannot be captured in any finite set of categories and conditions. Another response would be to eliminate all links between social assistance and any conditions whatsoever. Everyone gets the same unconditional public transfer payments, no questions asked.

There are many many forms that such a policy might take. Among the more commonly discussed possibilities are these:

The most famous is Milton Friedman's proposal embraced by President Nixon, but never enacted - for a 'negative income tax'. That is not quite unconditional (payment depends on one's income being below some threshold, at which point the tax office pays you rather than you paying it). But compared to the vast array of specific programmes it was designed to replace, the negative income tax certainly is minimally conditional.

Another variant is the 'earned income tax credit'. Introduced into American tax law two decades ago, that scheme was greatly as part of President Clinton's recent welfare reforms; and aversion is now found in the UK tax code's 'Working Families Tax Credit'. Those schemes, too, are slightly conditional (upon having earned income). But again, they minimally so, compared to other modes of social relief.

Yet another form of unconditional benefit is 'basic income', which (according to proposals nowhere yet implemented) would be paid to everyone in the country absolutely unconditionally. Or, as an only slightly more conditional variation on that theme, it might be paid as 'participation income' to everyone in the country, conditional upon their proving that they are engaged in any of a long list of socially useful activities (paid or volunteer labour, raising children, doing community work, or whatever).

A final variation on these themes would be to pay a lump-sum 'demogrant' to everyone in the country, upon their coming of age. Something like this used to happen in Yugoslavia, when it was a model of market socialism.

Skeptics continually query whether any sort of unconditional income guarantee is politically feasible. Some sorts certainly are, anyway. Earned-income tax credits are already law in America and the UK, and they are of considerable interest elsewhere. And while in the end Nixon's negative income tax was not actually enacted, it came close to being.

More robust forms of unconditional support are harder to sell, politically. Substantial demogrants designed to effect major reallocations of capital, for example, could only be funded through confiscatory death duties of a sort which are probably politically impossible anywhere in the contemporary world.

At first blush, basic income may sound almost as pie-in-the-sky as that. But remember two things about it. First, basic income would be in lieu of all sorts of categorical (and indeed universal) social benefits which are paid at

present; so the net cost of the proposal is substantially less than it might seem. Second, basic income would be taxable; so anyone earning well over a basic income would immediately return a portion (and potentially substantial portion) of it back to the national treasury. Thus, while undeniably costly, basic income would be considerably less costly than might at first be supposed.

There are many reasons for thinking the 'participation income' variation on the basic income strategy to be the most attractive among these options. Participation income is politically saleable, in a way that absolutely unconditional basic income might not be: it is not a case of 'something for nothing', but rather a case of social payment for socially-useful labour. Participation income does not (as the earned income tax credit does) arbitrarily differentiate between productive and social labour, depending upon whether it is paid or unpaid. Participation income does not (as the negative income tax does) depend upon an 'income test' which inevitably captures less and less of people's 'full income', as increasing flexibilization of the workforce causes increasing production ('home production') and exchange ('informal economy') to fall outside ordinary economic markets. Finally, participation income does not (as the demogrant does) make a once-and-for-all-time allocation, with no provision for people who invest their initial endowment unwisely.

My larger point, however, is that any of those unconditional benefit schemes would be better suited to the increasingly non-standardized world in toward which we are moving. Let us simply give up, not only on means-testing, but on conditionality of any other form. Let us simply give everyone a fair share of social resources, and allow them to arrange their own affairs as they will. A utopian vision that may be: but some utopias have a way of coming true; and if my diagnosis of our present plight is even remotely correct, the increasing non-standardization of our social world will eventually drive us toward one or the other of the futures, utopian or dystopian, which I have here been sketching.

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