• Maintain **high employment** and **low poverty rates**
• Scandinavian tradition of **universal coverage provided effective safeguard against poverty and exclusion**
• Most reforms based on strong consensus amongst the Soc Dem govs and conservative parties as well as employers and trade unions that there was a **need for modernisation**
  - In terms of functional recalibration the Nordic countries have **moved much earlier than other social policy regimes**, towards dual earner economies with extensive public service provisions, parental leave opportunities and activation programmes for mothers returning to work
  - **Anglo-Irish Third Way**
    - Ireland and UK considered closest approximation of **liberal regime**
    - **Modest levels of protection**
    - **Targeted provision**
    - **Constrained role for the State**
  - This view is **partly exaggerated**
    - Aggregate spending in UK is close to EU average
    - NHS is solid institution that caters to the needs of the entire population and offers wide range of provisions
  - But **unemployment benefits** are **meagre** and of **short duration**
  - Wage dispersion is high
  - Labour markets largely **deregulated**
  - Widespread social assistance (perhaps as income support is less stigmatised than in other countries)
  - **Low corporate, income and payroll taxes**
    - **Liberal market economy features**
    - **Britain**
      - Conservative Gov. approach = fairly orthodox market liberal approach
      - Thatcher abandoned Keynesian macro-economic commitment to full employment in favour of monetarist policy paradigm
      - Large scale privatisation, dismantling of trade union power, downsizing of welfare state programmes
      - Long term result – growing economy but increase in mounting skill and productivity deficits
      - Flat rate nature
      - Residualisation of social security
      - Benefits erodes relative to real wages
    - New “**workfare**” philosophy
      - **Stricter benefit regime**
      - **Reduced number of claimants**
    - Helped restore public finances but markedly increased poverty
  - **1997 Blair Gov; Third Way** reform
    - **Fine tune benefit rules to neutralise traps caused by welfare to work schemes**
    - **Launched fight against poverty/social exclusion by increasing minimum wage and income guarantees,**
Would entail superior efficiency and equity outcomes
Several core attributes of most Bis. Members that would lead to superior Pareto frontier if reformed
First symptom is related to **fertility** and therefore to **population ageing**
- Continental European countries stuck in persistent **low fertility trap**
- Huge **effects on population growth**
- Ageing burden greater in Germany, Italy and Spain than elsewhere
- Telling statistic is from surveys that ask citizens their desired number of children
- Across EU countries, people invariably embrace two child norm
  - Any deviation from this signifies welfare deficit
- **Preconditions for high fertility**
  - Adequate parental leave
  - Job security
  - Access to childcare
- Fertility in advanced societies depends on gender egalitarianism and obstacles to female LFP
- Suggests typical cash incentives for caring at home may be counterproductive
Secondly, **repressed female labour supply** related to motherhood widens **the gender divide** and reduces potential economic growth
- Employment gap of women substantial in continental countries
- Activity rate down 20% by mothers of preschool aged children
- And mothers over 50% in part time jobs esp. Germany, Netherlands
- Absence of affordable childcare and too brief paid maternity leave bear responsibility for employment and income gap
- Universal provision of childcare doubly Paretian as Gov reimbursed via women's employment; tax and life earnings
Thirdly, re **human capital investment**
- Repeated examples of move towards ALMPs
- Aimed at adult workers, proven that they can be quite costly and ineffective
  - Conclusion
    - If Bis. Countries emphasise family services/take leap towards universal pension, would have irrefutable evidence of change beyond path dependency or ad hoc forms of adjustment
    - Some convergence towards **Soc Dem model seems more realistic than going for liberalism**
  - Would imply massive process of dismantling

  - Unlike most OECD counties, Ireland not yet developed full labour activation policies
    - But is under increasing pressures to do so
  - Why has Irish labour activation policy/implementation stalled over last 3 decades?
  - Framed by two crises; 80s and Now
Introduction

- Labour Activation Policy aims to make effective use of both welfare expenditure and a claimant’s time on income support to maximise the possibility of return to paid employment
- Low in Ireland Vs OECD countries

What is Labour Activation Policy?

- Language – controversial; implies inactivity?
- Encompasses wide range of approaches
  - From full conditionality (no welfare without work) to fully voluntary (offer of support not linked to income support)
- Liberal LAPs push toward low paid work, limits role of social policies
- Universalistic LAPs stress high standards of social protection & ALMPs; training/decent employment

Where does Ireland stand?

- Interpretations of labour activation depend on ideological predispositions of those in power
- Dept. Social Protection definition
  - Social contract where claimant commits to engage with services in a process of active case management and to develop and implement a personal progression plan and where failure to implement can lead to a withdrawal of payment
    - Ref.: NESC (2011)
- Most agree Ireland has made slow progress toward labour activation but little agreement what type of LAP Ireland should implement

Three different models of LAP:

- Flexicurity
  - Danish model
  - Flexibility and security
  - Aims to enable flexible transitions between work & unemployment
  - Periods of unemployment cushioned by generous welfare schemes and workers remain active by participation in ALMPs
- Mutual Obligations Model (II)
  - Promoted by the OECD
  - Recommends intensification of benefit control activity for the unemployed and other benefit recipient groups in a more coercive approach
  - Moderate benefits used to support compulsory education, training or labour market participation
  - Obligations of the unemployed
- Active Inclusion for All (III)
  - Promoted by the European Commission
  - Holistic strategy that stresses work for those who can work and inclusion for those who cannot
  - Less work focused