

# Welfare Regimes and Social Policy

## *A Review of the Role of Labour and Employment*

*James Heintz and Francie Lund*



Women in Informal  
Employment: Globalizing  
and Organizing

United Nations  
Research Institute  
for Social Development



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# Contents

<b>Acronyms</b>	<b>ii</b>
<b>Summary/Résumé/Resumen</b>	<b>iii</b>
Summary	iii
Résumé	iii
Resumen	iv
<b>I. Introduction</b>	<b>1</b>
<b>II. Welfare Regimes, Social Policy and Employment: An Overview of Theoretical Approaches</b>	<b>1</b>
<b>III. The Structure of Employment</b>	<b>4</b>
<b>IV. Structural Change: Employment, Households and the Welfare Regime</b>	<b>6</b>
The “Kaldorian” scenario of industrial development and structural change	6
Structural change, households and social policy	7
Industrialization and the link between social policies and employment	8
Beyond Kaldor: New patterns of structural change	9
<b>V. Global Pressures on the Structure of Employment and Social Policy</b>	<b>11</b>
Labour demand: Macro developments, policy frameworks and employer strategies	12
Global trends in labour supply	14
Neoliberalism and social policy	16
<b>VI. Crisis, Employment and Social Policy</b>	<b>17</b>
<b>VII. Employment Policy without Work-Related Social Benefits?</b>	<b>20</b>
<b>VIII. The Interweaving of Social Policies and Employment Policies</b>	<b>23</b>
<b>VIII. Conclusion: Areas for Future Research</b>	<b>24</b>
<b>Bibliography</b>	<b>27</b>
UNRISD Programme Papers on <b>Gender and Development</b>	<b>30</b>

## Acronyms

<b>EAPPEP</b>	Economically Active Population Estimates and Projections
<b>GDP</b>	Gross domestic product
<b>ILO</b>	International Labour Office
<b>OECD</b>	Organisation for Economic Co-operation and Development



## Summary/Résumé/Resumen

### *Summary*

The extent of global poverty and inequality in the world is widely acknowledged as a pressing political, economic and social issue. The recent global financial crisis has demonstrated the need to reconsider employment and social policies, although the austerity plans adopted by many countries undermine, rather than reinforce, existing policies. The form that policies should take at the current time, in the context of a highly integrated global economy, remains a subject of debate.

Social policies are grounded in decisions about the respective rights and responsibilities of states, markets and households, with individuals deriving and being allocated rights and responsibilities as citizens and/or as active labour market participants. Much of the current policy arena is occupied with reconsidering the role of the state in social protection, with allowance made for direct cash transfers to people as citizens, albeit often restricted to those defined as members of “vulnerable” groups. Too little of the new social policy development is grounded in the analysis of the changing structure of employment and of the implications of such changes for owners of capital, employers, the self-employed and employees in terms of their responsibilities for social protection.

This paper explores the intimate connections between employment and social policy, arguing that attempts to separate the two policy areas and confine them to separate spheres are misguided. It locates these linkages within the broader concept of a welfare regime: the collection of institutions – including the state, households and markets – which determine social and economic well-being along a number of dimensions. The relationships between employment and social policy are examined within a range of contexts: the theoretical approaches to welfare states and welfare regimes, the trajectory of economic development, the new dynamics of the global economy, the consequences of neoliberal policies, and the impact of economic volatility, fragility and crisis. By tracing how patterns of employment shape social policies and how social policies can support better employment outcomes, we present a case against delinking the two policy areas.

The paper argues that there is a tendency for social policy to be treated as a kind of residual policy category – something that is done when the business of running the economy has been accomplished. However, social policy is critical for the development of human resources and capabilities that themselves influence employment outcomes. There is also a need to insert into both economic and social policies a much greater awareness of how changing employment arrangements directly influence the distribution and level of economic risk, for both workers and their families, and to take into account explicitly the extent to which existing social policies address those risks. It requires taking a global view of integrated economic and social policies, moving away from the tendency to separate out policies appropriate for “the North”, and those befitting “the South”. These relationships have not been well documented or explored. There is a real need to do so, in concrete contexts with specific examples, in order to better understand the relationship between social policy, welfare regimes and employment.

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### *Résumé*

Il est généralement admis que l'étendue de la pauvreté et des inégalités dans le monde pose un problème politique, économique et social pressant. La récente crise financière mondiale a mis en

évidence la nécessité de reconsidérer la politique sociale, bien que les plans d'austérité adoptés par de nombreux pays sapent plutôt qu'ils ne renforcent les politiques en place. La forme que devraient prendre les politiques sociales à l'heure actuelle, dans une économie mondiale très intégrée, reste un sujet de débat.

Les politiques sociales reposent sur des décisions touchant aux droits et responsabilités respectifs des États, des marchés et des ménages, ceux et celles des individus découlant de leur qualité de citoyens et/ou d'actifs sur le marché du travail. Une grande partie du monde politique actuel est occupée à reconsidérer le rôle de l'État dans la protection sociale; les transferts monétaires directs aux citoyens sont tolérés mais souvent limités aux membres de groupes définis comme « vulnérables ». L'analyse des changements survenus dans les structures de l'emploi, ainsi que des conséquences de ces changements sur les responsabilités incombant aux détenteurs de capitaux, aux employeurs, aux indépendants et aux employés en matière de protection sociale, intervient trop peu dans l'évolution de la nouvelle politique sociale.

Les auteurs de ce document étudient les rapports intimes entre emploi et politique sociale et jugent malavisées les tentatives faites pour les scinder et les confiner dans des sphères séparées. Ces rapports tiennent, selon eux, au concept général de système social, entendu comme l'ensemble des institutions, dont l'État, les ménages et les marchés, dont dépend le bien-être social et économique dans diverses dimensions. Les rapports entre emploi et politique sociale sont examinés sous des angles différents: démarches théoriques auxquelles obéissent les États providence et les systèmes sociaux, trajectoire du développement économique, dynamique nouvelle de l'économie mondiale, conséquences des politiques néolibérales et de l'instabilité, de la fragilité et de la crise économiques. En expliquant comment les données de l'emploi façonnent les politiques sociales et comment celles-ci peuvent permettre d'améliorer le bilan en matière d'emploi, les auteurs développent des arguments qui plaident contre une séparation entre politique sociale et politique de l'emploi. Ils concluent par une réflexion sur les orientations à donner à la recherche future.

Selon eux, la politique sociale a tendance à être traitée comme une politique en quelque sorte résiduelle—dont on ne s'occupe que lorsqu'on s'est acquitté du travail de gestion de l'économie. Pourtant, la politique sociale est d'une importance vitale pour la mise en valeur des ressources et des capacités humaines, qui influent elles-mêmes sur la situation de l'emploi. De plus, la distribution des ressources humaines dans l'ensemble du secteur social a des répercussions directes sur la mise en œuvre des politiques sociales. Or, ces rapports n'ont été ni bien documentés ni approfondis. Ils doivent l'être dans des contextes concrets, à l'aide d'exemples précis, afin de faire mieux comprendre les liens entre politique sociale, système social et emploi.

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### ***Resumen***

El nivel de pobreza y desigualdad en el mundo es ampliamente reconocido como un problema político, económico y social apremiante. La reciente crisis financiera internacional ha demostrado la necesidad de reconsiderar la política social, aunque los planes de austeridad que han a implantado muchos países contribuyen a socavar, que no sustentar, las políticas sociales existentes. La forma que deben adoptar las políticas sociales en estos tiempos de una economía mundial altamente integrada sigue siendo tema de debate.

Las políticas sociales se fundamentan en decisiones sobre los respectivos derechos y responsabilidades de los estados, mercados y hogares, a partir de los cuales las personas derivan o reciben derechos y responsabilidades como ciudadanos o como participantes activos del mercado laboral. Buena parte del contexto actual de políticas se ha dedicado a reconsiderar el papel del Estado en la protección social, en el cual se ha abierto un espacio para las transferencias directas de efectivo a las personas en su calidad de ciudadanos, aunque a menudo dichas transferencias se reservan para aquellas que se definen como miembros de grupos “vulnerables”. Una porción muy pequeña del desarrollo de la nueva política social se fundamenta en el análisis de los cambios en la estructura del empleo y de las implicaciones que tienen dichos cambios para los propietarios del capital, los empleadores, los empleados independientes y los empleados en cuanto a sus responsabilidades frente a la protección social.

En este documento se examinan las estrechas conexiones que se observan entre el empleo y la política social, y se argumenta que todo intento de separar estas dos áreas de política y confinarlas a dos ámbitos independientes es equivocado. Estos vínculos se examinan en el marco del concepto más amplio de régimen de previsión social: el conjunto de instituciones—el Estado, los hogares y los mercados—que determinan el bienestar social y económico en toda una serie de dimensiones. Las relaciones entre el empleo y la política social se examinan dentro de una variedad de contextos: los enfoques teóricos sobre los estados benefactores y los regímenes de previsión social, la trayectoria del desarrollo económico, la nueva dinámica de la economía mundial, las consecuencias de las políticas neoliberales y las repercusiones de la inestabilidad, fragilidad y crisis económicas. A partir de una definición de la trayectoria de la forma en que los patrones de empleo dan forma a las políticas sociales y cómo estas pueden apoyar la obtención de mejores resultados en materia de empleo, los autores presentan sus argumentos en contra de la desvinculación de estas dos áreas de política. El documento concluye con una reflexión acerca de las direcciones que podrían seguirse en investigaciones futuras.

Se sostiene en este trabajo que existe la tendencia a tratar la política social como una especie de categoría residual de política, como algo que se hace una vez que se ha concluido la tarea de operar una economía. Sin embargo, la política social es fundamental para el desarrollo de los recursos humanos y sus capacidades que en sí mismos inciden sobre los resultados que se alcanzan en el terreno del empleo. Además, la distribución de los recursos humanos en todo el sector social tiene implicaciones directas para la ejecución de las políticas sociales. Estas relaciones no han sido bien documentadas o examinadas. Existe una necesidad real de conducir un tal análisis, en contextos concretos y con ejemplos específicos, a fin de comprender mejor la relación entre la política social, los regímenes de previsión social y el empleo.

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## **I. Introduction**

The extent of global poverty and inequality in the world is widely acknowledged as a pressing political, economic and social issue. Although the Bretton Woods institutions are committed to addressing inequality, poverty and human development deficits, it is increasingly acknowledged that the policies they have promoted, particularly during the structural adjustment era, have not been effective. Since the beginning of the post-Washington consensus era, some space has opened up for a reconsideration of social policy. The recent global financial crisis has further demonstrated the need to reconsider social policy, although the austerity plans adopted by many countries undermine, rather than reinforce, existing policies. In recent years, the scope of social policy has expanded in some places and contracted in others. However, the form that social policies should take at the current time, in the context of a highly integrated global economy, remains a subject of debate.

Social policies are grounded in decisions about the respective rights and responsibilities of states, markets and households, with individuals deriving and being allocated rights and responsibilities as citizens and/or as active labour market participants. Much of the current policy arena is occupied with reconsidering the role of the state in social protection, with allowance made for direct cash transfers to people as citizens, albeit often restricted to those defined as members of “vulnerable” groups. Too little of the new social policy development is grounded in the analysis of the changing structure of employment and of the implications of such changes for owners of capital, employers, the self-employed and employees in terms of their responsibilities for social protection.

This paper explores the intimate connections between employment and social policy, arguing that attempts to separate the two policy areas and confine them to separate spheres are misguided. It locates these linkages within the broader concept of a welfare regime: the collection of institutions – including the state, households and markets – which determine social and economic well-being along a number of dimensions. The relationships between employment and social policy are examined within a range of contexts: the theoretical approaches to welfare states and welfare regimes, the trajectory of economic development, the new dynamics of the global economy, the consequences of neoliberal policies, and the impact of economic volatility, fragility and crisis. By tracing how patterns of employment shape social policies and how social policies can support better employment outcomes, we present a case against delinking the two policy areas. The paper concludes by reflecting on directions for future research.

## **II. Welfare Regimes, Social Policy and Employment: An Overview of Theoretical Approaches**

Early social policy models, such as those in the Bismarck and Beveridge traditions, were squarely based on and embedded in assumptions about employment. Beveridge’s model for the welfare state, presented in the 1940s, was premised on a nuclear (two-generation) household structure, with a gendered division of labour in which the male was in employment, and the female was largely responsible for within-household social reproduction. It was assumed that having employment would bring both a living wage for the worker and his family, and associated social benefits such as compensation for work-related disability and sickness, a pension and compensation to the wife and family should the worker die. Nordic and East Asian welfare models were also premised on full employment, with the East Asian countries industrializing more recently and adopting social policies (broadly defined) closely linked to their processes of industrialization.

The paradigm shift in welfare policy analysis initiated by Esping-Anderson (1990) in the early 1990s was developed, as he specifically acknowledged, to categorize only late capitalist societies (that is, the industrialized countries of Western Europe and North America) that had committed

to welfare provision. There are pressing reasons to review the link between the changing nature of employment and the need for new social policies at this time. Among these are the global pressures on the structure of employment, including increases in informal and non-standard employment; the changing influence of international organizations in the arena of social policy, with too little reference to the structure of employment; and the need to insert a gendered analysis, that incorporates paid work and unpaid care work.

This early welfare regime analysis deriving from the models of the industrialized North assumes full or nearly full employment with short-term social insurance programmes to address cyclical unemployment. All situate the worker both as contributor to social provision (through, for example, contributions to workers' compensation, health and pensions schemes) and as a beneficiary.<sup>1</sup> Welfare regime analysis clusters countries with respect to the differential roles played by the state, private sector and those in employment. Esping-Andersen's earliest classification of countries of the Organisation for Economic Co-operation and Development (OECD) was into liberal, conservative and social democratic welfare state regimes, reflecting basic political choices. In a highly stylized summary, liberal regimes have a central role for the market, and a truncated, residual role for the state. The conservative/corporatist regimes emphasize individual and family responsibilities, with a larger, yet relatively marginal, role for the state. And social democratic regimes choose more generous, universalistic policies, with a central role for the state.

Employment remains central to all three models of welfare states identified by Esping-Andersen. In the liberal regimes (for example, Australia, Canada, the United Kingdom and the United States), social benefits are means-tested (with important exceptions such as the National Health Service in the United Kingdom) and targeted—aimed at assisting the most vulnerable, such as those unable to participate in the labour market or who are not supported by private transfers of income within households. The remainder of the population is expected to meet its needs through employment and the allocation of income and labour within private households. Unemployment insurance and employment protections tend to be of limited scope. In corporatist regimes (such as Austria, France, Germany and Italy), the state plays a more significant role, but access to many welfare benefits depends on employment status and class position. Employment/unemployment protections are more extensive than in the liberal regimes. In the social democratic regimes (for example, the Nordic countries of Western Europe), the principle of universalism is much stronger. Even here, governments strive to maintain full employment as a fundamental component of the overall policy framework.

An implicit assumption of a particular type of employment arrangement underpins these schema—that of a wage employee hired by an employer in a formal arrangement subject to basic legal and social protections.<sup>2</sup> When these employment arrangements begin to shift, as has been happening in many economies in recent decades, or when the presumption of a nearly universal wage employment relationship has never been applicable (such as is the case in many developing countries), the relationship between the welfare regime, social policy and employment must also be reconceptualized.

Esping-Andersen's political economy approach was rapidly acclaimed as a fundamental shift in welfare policy analysis. The original exposition of this framework was, however, restricted in its choice of countries, and inevitably there were also disagreements about which countries should be included under which regimes. It was also criticized for the omission of three variables that are central to social policy: gender, women's unpaid care work in the household and community, and informal/non-standard work. These lacunae have led to the development of a body of work on additional, more inclusive typologies for different regions of the world (Gough

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<sup>1</sup> The development of welfare regimes in the industrializing countries of East Asia were also contributory in nature and were premised on the assumption of full employment.

<sup>2</sup> For an in-depth discussion of these and related issues, see Standing (2009).

et al. 2004), as well as increasing focus on the linkages between (women's) paid and unpaid work (Razavi and Staab 2010).

Barrientos (2004) characterized Latin America as a "liberal-informal welfare regime". He traces the shift in welfare regime in response to the severe economic crises of the 1980s and 1990s in the region, with an increase in informal/unregulated employment, a decrease in employment-related social protections, and a shift away from social insurance to privately provided (self-) insurance. He argues that the welfare outcomes have been "largely negative" (2004:167), with greater poverty and inequality. Still in Latin America, Martinez-Franzoni (2008) likewise incorporates informal employment in her regime analysis, and also integrates a gendered analysis that includes unpaid care work. Bevan (2004) characterizes the whole of Africa as an "insecurity regime".

Thus real advances and extensions have been made in the analysis of welfare regimes that might be steps towards the emergence of more comparative social policy analysis. However, a consideration of the full set of consequences for social policy arising from differences that exist and the changes that are underway in the structure of employment, in both the North and South, is lacking. In some cases, there are perceptions in the formulation of social policy that most employment is formal and regulated and that being in employment enables workers to make contributions to funds for recognized contingencies—unemployment insurance, ill health/injury, widowhood, old age—and sometimes also to housing and children's education.

In other cases, the extent to which employment itself provides or fails to provide a foundation for supporting social welfare is taken as externally determined. Employment policy is not seen as a core component of social policy. For example, the widespread prevalence of informal workers may be explicitly recognized, but with the result that the design of social policy focuses on adapting to this reality, without incorporating strategies to improve employment opportunities. Social assistance programmes, which may be based on citizenship, implicitly or explicitly target the "vulnerable"—that is, those out of the labour force, such as the very young and very old citizens, or those excluded from employment due to inadequate opportunities.

This is a substantial concern. In a later section of the paper we will see that there is a tendency, within different disciplines and crossing different policy domains, to dilute rather than strengthen links between economic and social policies. Indeed, some advocate "delinking" or "decoupling" social benefits from employment. This raises the question of whether social policy alone can compensate for and protect individuals from risks arising from the structure of employment itself. Although subsequent analyses have extended Esping-Andersen's work, he himself had as his point of departure the state's role in managing the economy, and how political settlements and alliances, as well as institutional histories, led to variations in welfare regimes. And this approach, which is in a sense state-centric, is central to most of the extensions and critiques of welfare regime analysis. This paper specifically focuses on the changing structure of employment, and considers the implications of this for social policy. It does so within a broad, structural framework, one that attempts to take into account important shifts in the global economy that have redefined many of the standard assumptions about economic development, employment and social policy.

Throughout the paper we refer to social protections, social policy, welfare states and welfare regimes. By social protections, we mean government policies and programmes that aim to reduce economic risks, directly address vulnerabilities and protect individuals from harmful actions by third parties that would compromise their well-being. Social protections therefore include measures such as unemployment insurance, pension programmes, direct social assistance to poor households and labour market regulations. Social policy is a more expansive category that includes social protections, but also the provision of public goods and services such as education, health care, family social services, social services for elderly and disabled people, and support for child care. Social policies aim to support human welfare and human development. A welfare state refers to a government that undertakes a set of social and

economic policies, and subsequent allocation of resources, in order to ensure the welfare of that country's residents or citizens. Under a welfare state, the government is assumed to play a primary role in ensuring the well-being of the population. Finally, a welfare regime represents the collection of institutions—including the state, the household and markets—which determines social and economic welfare along a number of dimensions.

### III. The Structure of Employment

A central thesis of this paper is that existing patterns of employment have enormous implications for the distribution of income, economic security and risk throughout the economy and therefore have direct consequences for social policy. The nature of employment varies widely across countries and over time. Therefore, we need a framework for tracing fundamental changes in employment that have consequences for social policy. The framework we use is the “structure of employment”, which describes the distribution of types of employment and employment arrangements in a particular country or context. The structure of employment can be described along a number of dimensions, which are not mutually exclusive. Here we focus on three aspects:

- sector or industry;
- status in employment; and
- degree of formality.

The use of sectoral divisions to describe patterns of employment and relate these patterns to developmental dynamics has a long history—that is, the process of “industrialization” has been described in terms of a movement of labour out of agriculture and into industrial employment (Kaldor 1967; Kuznets 1971). The sectoral distribution of employment can be described in very fine detail, but in general we emphasize broad divisions in our analysis, such as agriculture, manufacturing and services. Economies undergo changes in the structure of production due to shifts in the global economy and through the process of development that have direct implications for the quality and quantity of employment opportunities. Put another way, an evolving structure of production implies an evolving structure of employment.

The second aspect that we include is the status in employment. The International Classification of Status in Employment (ICSE-93) provides a set of standard categories for classifying employment against two basic criteria: (i) the type and degree of economic risk, including the strength of attachment between the person and the job; and (ii) the type and degree of authority/autonomy that workers have in a particular employment situation. Five primary employment status categories are identified, with an additional sixth residual category (“not classifiable by status”). The five categories are:

- employees;
- employers;
- own-account workers;
- members of producers' cooperatives; and
- contributing family workers.

Many forms of employment can be placed within these five main groups, including some types of “atypical” or “non-standard” employment (Mata Greenwood and Hoffmann 2002). For example, in many cases it is clear that part-time workers are employees. However, the lines between these employment status categories may be blurred for other forms of non-standard employment. Examples of these intermediate categories include, but are not limited to:



- short-term hires who sell their labour to a series of different employers;
- “on-call workers” who only work when called;
- day labourers participating in open-air markets or in brokered employment arrangements;
- employees whose earnings rely heavily on commissions;
- self-employed workers who depend on others to supply key factors of production (for instance, taxi drivers who must rent their vehicles);
- self-employed individuals with only one or two clients; and
- forms of “disguised wage employment” that are treated as self-employment for regulatory purposes, but may have risk and authority profiles similar to wage employees (for example, construction workers may be hired as independent contractors in order that the employer can avoid certain taxes or labour market regulations although their employment situation is identical to that of a paid employee).

The general concept of employment status—defined in terms of the allocation of economic risk and the allocation of authority and control—is particularly relevant for analysing categories of non-standard employment. The degree of authority refers to the amount of control individuals have over their own work activities, the enterprises in which they work, and other workers in that enterprise. For example, it is generally assumed that the self-employed enjoy greater authority than wage employees because they have control over their workplace activities and may hire employees over whom they have control. The degree of risk refers to various dimensions of uncertainty associated with the employment arrangement—including attachment to the job and volatility in earnings. The earnings of paid employees, for example, are assumed not to fluctuate with the revenues of the enterprise, but are rather specified by a contractual arrangement. Paid employees thus face different risks from those faced by the self-employed. However, the emergence and growth of non-standard employment involves a reallocation of economic risk and authority in ways that do not correspond to the traditional assumptions associated with the standard status in employment categories. Therefore, employment status categories should be defined so as to be able to track changes in risk, authority and control over time. For the purposes of this paper, when we speak of “status in employment” as a dimension of the structure of employment, we mean a broader concept, one that includes various intermediate categories and forms of disguised wage employment but remains focused on the core issues of the allocation of economic risk and the allocation of authority and control.

The final aspect of the structure of employment that we emphasize in the current analysis is the distinction between formal and informal employment. The concept of informal employment is meant to capture employment relationships that are not governed by formal economic regulations or social protections. Because such employment falls, either wholly or partially, outside of the formal regulatory sphere, it tends to be more precarious, with lower earnings and higher poverty risk than employment that enjoys formal regulatory protections (Chen et al. 2005). Note that this definition of informal employment is related to, but distinct from, the other dimensions of the structure of employment we have discussed. For example, non-standard work has a higher probability of being informal, but this does not imply that atypical employment arrangements must be informal.

Moreover, because informal employment refers to employment that is not regulated or which does not enjoy core social protections, the relationship between the regulatory regime and the employment relationship depends on the status in employment. Specifically, a distinct set of laws govern the employment relationships of paid employees relative to those of the self-employed. “Labour law” typically focuses on the relationship between employers and employees. For the self-employed, often no clear principal/agent relationship is evident (or such relationships are hidden, and often unregulated). Self-employment is typically regulated by the laws governing enterprises, with a distinct tax code. Because of this distinction in the regulatory frameworks governing individuals in different employment statuses, the definition

of informal employment must be flexible enough to accommodate paid employees and various forms of self-employment.

The structure of employment is highly gendered. The distribution of women's employment compared to men's employment varies in terms of sector, employment status and the propensity towards informality. These differences limit women's earning potential and reinforce the gender division of labour, with women specializing in care work—both paid market work and unpaid household labour—and men specializing in paid employment in the labour market.

Depending on the nature of social policies and the role of employment within a welfare regime, the structure of employment influences the distribution of benefits associated with social policies. For example, workers in countries with widespread informality will be excluded from social protections when access is linked to formal employment. Similarly, self-employed individuals may face higher risks, with fewer tools to manage those risks, compared to formal wage employees. The benefits of social policies may depend on the structure of employment. Returns to education will differ between informal self-employment relative to formal wage employment with the possibility of upward mobility. In other words, the benefits of public education are conditional on the structure of employment. Furthermore, investments in specific types of skills or education—such as the relative specificity of skills to a particular workplace, occupation or industry—may be linked to the perceived permanence of a particular job or the ability to conduct an adequate search for equivalent employment in the event of job loss. Therefore, the accumulation of skills is influenced by the extent to which social policies are linked to a given structure of employment (Estevez-Abe et al. 2001). This particular example suggests that the structure of employment influences both the average benefits derived from education and the investments in skills. The larger point is that the structure of employment interacts with social policies, affecting economic welfare, the distribution of risk and the benefits that social policies confer.

#### **IV. Structural Change: Employment, Households and the Welfare Regime**

##### ***The “Kaldorian” scenario of industrial development and structural change***

When considering the relationship between the structure of employment and welfare regimes, it is useful to examine explanations of how the structure of employment evolves in the course of economic development, the implications these dynamics have for a changing welfare regime, and how this course may change with significant shifts in the global economy. Changes in the structure of employment also have important implications for transformations of other institutions (households, for instance) and for shifts in social policy. One stylized scenario of economic development is that rising living standards come about through a movement of labour away from agriculture towards manufacturing, other types of industrial production and services (Kaldor 1967; Kuznets 1971). As the share of industrial production increases, the structure of employment changes—agricultural employment declines as a share of total employment and the share of industrial and service employment increases. Since earnings tend to be higher, on average, outside of agriculture, these structural shifts in employment have important implications for average standards of living.

Under this stylized scenario, shifts in the composition of consumption expenditures reinforce changes in the structure of employment and help to propel the process of industrialization forward. Technological and productive innovations raise productivity and average incomes. If demand for agricultural goods is less responsive to changes in income and demand for industrial goods and services is more responsive, then we would expect consumption patterns to shift in favour of services and industrial goods as standards of living rise (Kuznets 1971). The

expanding markets for services and industrial goods would generate profitable new investment opportunities in these areas and growing labour demand. Productivity improvements in agriculture will also be needed to provide foodstuffs for the growing urban, industrial population, given a declining rural labour force (see Ranis and Fei 1961). Economic growth is endogenous in this framework, since the changing structure of employment provides an impetus for productivity growth.

We will refer to this traditional description of economic development through the industrialization of labour as “Kaldorian”, after Nicholas Kaldor (see Kaldor 1967). Kaldor emphasized the importance of industrialization and the expansion of manufacturing in fuelling economic growth. The Kaldorian framework primarily emphasizes the distribution of labour among productive activities—an important element of the overall structure of employment. However, changes in the structure of employment also occur with regard to status in employment and informality during the course of economic development.

Specifically, there is often a presumption that status in employment and the degree of formality will also undergo transformations in predictable ways during the course of economic development. A shift towards wage employment and away from forms of self-employment usually accompanied the process of industrialization, particularly in the industrializing countries of Europe, North America and Japan. To take advantage of economies of scale and other sources of productivity growth, production was organized in factories or similar industrial settings and with employed workforces of paid employees. Specialized tasks performed by individual workers needed to be coordinated in the process of production and this was most efficiently accomplished by organizing production into firms that employed waged workers (Coase 1990). The need to monitor and control the activities of the individuals constituting the workforce created the need for managers and supervisory employees (Marglin 1974).

Within this process of industrialization and the emergence of the factory system, informal forms of employment were seen by many as a vestige from a previous, pre-capitalist, era (Dangler 2000). That is, capitalist economic development meant the “formalization” of economic activity, in which formal wage labour relationships replaced alternative, often less formal, arrangements (for instance, petty commodity production, the putting-out system, or home-based work). Therefore, the traditional approach to economic development as a process of industrialization implied changes across the three dimensions of the structure of employment described earlier: a shift away from agriculture to industry and services, an increase in wage employment (and a decline in self-employment), and, with the expansion of social protections for workers, a growing formalization of jobs. These fundamental changes to people’s livelihoods have important implications for other institutions and social policy.

### ***Structural change, households and social policy***

The structural changes that occur in the course of industrial development affect the structure of households and the demand for social policies, including various forms of social insurance. For example, in agrarian societies, extended kinship networks and multigenerational households are common. The site of market production (that is, the farm, the plot of land, and so on) often coincides with the site of social reproduction (the household). In most cases, households are patriarchal, with men dominating the control of assets and income, with disproportionate influence over decision making. Ownership of the non-labour means of production passes from the older generation to the younger generation, often through the male children or the eldest male child. Parents invest costly labour time and income raising children. In turn, their adult children are expected to support and care for parents in their old age. Women and men play different roles in raising children and caring for parents.

With industrialization, economic opportunities are created outside of the traditional family structure, with higher potential earnings. These changes in the wider economy place pressures on traditional household structures. With the emergence of new employment opportunities with higher earnings and the potential for greater economic mobility, the incentives for remaining in a traditional household shift, with children increasingly likely to choose to leave home when they reach adulthood. With the movement of labour out of rural agriculture and into increasingly urban industrial employment, household structures change. Moreover, the traditional support system, based on the intergenerational distribution of care and the (re)distribution of income within an extended, patriarchal household, comes under pressure (Folbre 2008). This reorganization of households, from extended networks towards smaller family units, also changes the distribution of risks across the population.

Under these circumstances, it is not surprising that a growing need for socialized forms of insurance and/or social investments in children arises during the process of industrialization – although the realization of these social policies, and the particular form they take, depends on political and social dynamics. The growth of an industrial labour force has frequently been accompanied by collective action among workers, providing the political support for the demand for new social policies. The nature of structural changes and the political dynamics accompanying it were not uniform across countries, giving rise to significant variations in the nature of capitalist development.

### ***Industrialization and the link between social policies and employment***

The social welfare policies that emerged during processes of industrialization can be grouped into two categories: (i) those that provide social security and insurance for employed workers; and (ii) those that provide support for segments of the population who do not participate in the paid labour force – children, elderly people, and people with disabilities so severe that they cannot participate. The distinction between these two categories becomes weaker as social policies become more universal (for instance, truly universal health care covers all people equally, with the work-related health service typically offering additional choice, or more rapid service). Note also that, typically, policies and services for civil service workers, including the military, are offered differently and separately.

Pension schemes, in which benefits are linked to the contributions of employed individuals, employment protections, unemployment insurance and maternity/parental benefits are examples of provisions that fall into the first category. Political support for these social protections comes from various sources, with organized labour playing a major role. In a majority of industrialized countries, firms of a certain size are obliged in law to contribute to such schemes. Some employers support the implementation of such mandatory policies by the state particularly if the programmes stabilize the industrial labour supply and provide incentives for workers to invest in specific skills needed by industry (Mares 2001). Examples of policies that provide incentives to invest in more specialized skills include unemployment insurance and employment protections (restrictions on dismissal, for example). The benefits that firms receive from social policies vary across productive activities and depend on the firms' reliance on the domestic labour force and the development of human resources – for instance, firms that do not directly employ skilled labour will not derive the same benefits as firms that rely on local access to highly specific skills.

In some of the newly industrializing countries of East Asia – such as the Republic of Korea and Taiwan Province of China – social policies were subservient to the objective of economic development, particularly during the period of rapid industrialization (Kwon 2007). In these cases, social protections were targeted exclusively at industrial workers, were contributory in nature, and were regulated, but often not directly administered, by the state. Given differences in men's and women's labour force participation and employment trajectories, social policies that are directly tied to employment reflect broader gender inequalities. Such policies also tend

to reproduce the economic hierarchies in the labour market. Chang (2004), however, argues that the idea that social policies in East Asia were entirely subservient to economic ones may be misleading. Broader policies of land reform and public housing, for example, were important in providing security and promoting social cohesion, though land reform would not usually be identified as a “welfare-statist” measure.

The second category of social policies is primarily aimed at individuals who do not participate in paid employment. These policies may take the form of “social assistance” – that is, transfer payments made to vulnerable individuals or households – and may additionally include social services, which represent the direct intervention of welfare personnel in situations of domestic violence, substance abuse, rehabilitation of prisoners and sheltered employment for disabled individuals, to give a number of examples. In some countries, such programmes are underdeveloped or may not exist at all, in which case private families and households support those who are not engaged in remunerative employment. Under these circumstances, responsibility for the care of children, elderly people and people with disabilities, those who are sick and those with other social problems, is assumed to rest with the family, sometimes in concert with religious and other welfare organizations. Adult women and younger girls taking responsibility for unpaid care work must depend on private transfers within the household. The idea that household labour is “unproductive” contributes to the exclusion of individuals who specialize in unpaid care work from the social protections typically linked to paid work (Folbre 1994). Public social assistance programmes tend to be targeted at situations where the system of private transfers fails, and/or where structural unemployment rates are very high, and/or where there has been a major disaster. Social assistance and social service programmes may attach conditionalities to benefits, and may involve means testing or other paternalistic measures.

A reliance on private transfers and unpaid care work places adult women specializing in non-market activities at great economic risk, since their individual earnings potential is constrained, traditional extended family networks have eroded, and social welfare policies frequently do not provide adequate support (long-run social security presumes dependence, directly or indirectly, on income from the labour market – a breadwinner).<sup>3</sup> However, social assistance programmes that aim to fill the gap with targeted transfer payments may reinforce traditional gender roles, effectively replacing a portion of private transfers with public transfers that do not fundamentally alter household dynamics (Molyneux 2007).

However, not all social policies in this second category presume a reliance on social transfers. In some countries, well-developed family policies reduce the reliance on unpaid care work, encourage men to do more of the unpaid care work, encourage women’s participation in paid employment, support investments in children and, to some extent, aim to reduce gender inequalities associated with the distribution of unpaid labour. As with other aspects of the welfare regime, the form such policies take depends on political dynamics, the constellation of various economic interests, and the distribution of the costs and benefits of social reproduction. As households undergo structural changes, the nature of welfare regimes also shifts and may result in growing pressures on the state to adopt new forms of social support. The relative strength of collective action – for example, in the feminist movement, and in children’s rights campaigns – influences how this demand translates into concrete social policies in different historical contexts (Folbre 1994).

### ***Beyond Kaldor: New patterns of structural change***

The scenario of economic development through industrialization accompanied by a reorganization of the household is in many ways stylized. Not all countries with significant industrial sectors have gone through similar patterns of industrialization. The extent of

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<sup>3</sup> The nature of family policies varies across the welfare state typology developed by Esping-Andersen, where liberal and corporatist regimes tend to rely on non-market caring labour and private intra-household transfers of income. Social democracies, on the other hand, are more likely to have policies that support the provision of care in ways that challenge traditional gender roles.

industrial production and the diversity of productive activities are limited in many economies. The transformation of households is equally varied. The more significant point is that the evolution of the structure of employment has direct implications for the organization of households, the distribution of economic risks and the nature of the welfare regime. However, these relationships are context-specific and can change in ways that differ substantially from historical patterns observed among the countries of the global North.

Moreover, the simple Kaldorian story appears to have changed in recent years, with important implications for the structure of employment, the structure of households and the nature of welfare regimes. These deviations from the standard scenario of industrialization in turn have important implications for the development of social policies and the linkages with employment outcomes. Open economies, globalized production and trade, and market dynamics have altered the original logic. It is unclear that a movement out of agriculture will be associated with a concurrent expansion of industrial employment. Demand for manufactured goods may also be met through greater imports, due to the availability of low-cost substitutes. Intense competitive pressures among producers of manufactured exports mean that demand for a country's output is determined as much, if not more, by price than by income, which in turn alters the way in which the composition of production is determined—for instance, low wages rather than improved standards of living support an expansion of industrial production. Competitive pressures also require productivity improvements to keep labour costs low. However, high rates of productivity growth can cause industrial employment to fall behind production, particularly if demand does not respond vigorously to the cost savings brought about through higher productivity.

Growth in service employment frequently outstrips the expansion of industrial employment—particularly in countries that are not experiencing rapid rates of ongoing industrialization. Therefore, contemporary movements out of agriculture may be associated with little or no growth in industrial employment and a large increase in service employment (Ghosh 2008). However, some of this measured increase is because services in industry—that were earlier defined as industrial activities—are now counted as service activities. Many countries appear to “skip” the step of industrial employment growth. Rural to urban migrations are still commonplace, but may be characterized by growing informal employment in urban centres. This creates demands for socialized forms of support without generating the resources required to finance the programmes (that is, poorer informal workers are often unable to contribute to formal social insurance). In many places, informal institutions for risk management and insurance develop in order to fill the gap created by a lack of formal social protections.

Similarly, the presumption of an inexorable move towards wage employment has not been evident in many countries, even in the context of growing per capita incomes. Self-employment remains widespread. Furthermore, atypical employment arrangements have become increasingly commonplace, including subcontracting, the use of novel forms of independent contractors, brokered employment and the use of industrial outworkers.

Simon (1951) argues that wage employment will be dominant as an institutional form when employers find it advantageous to agree upon a wage in advance but be allowed discretion to dictate the future activities to be undertaken, subject to certain limits.<sup>4</sup> In contrast, a contracting relationship will dominate when it is advantageous to specify the services to be provided in advance (as is the case with industrial outwork and other modern forms of subcontracted production). When the economies of North America and Europe were industrializing, it was efficient to coordinate production in a factory system that depended on a core labour force made up of wage employees. Falling transactions costs associated with improvements in communications, information and transportation technologies now make it cost-effective to

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<sup>4</sup> Simon (1951) theorized that the dominant employment arrangement also depended on what form of employment workers would find advantageous. However, the ability of workers to define the employment arrangement depends on their bargaining power, their fallback position, and the degree of voice they enjoy.

coordinate distinct activities across multiple workplaces. Dependent workers are no longer employees as traditionally defined and codified in law. Capital mobility and outsourcing mean that production workers do not benefit from the social provisions of the dominant multinational corporation as they did earlier on in the industrialization process.

Falling transactions costs have also meant that the traditional factory system has become fragmented. Instead of a factory encompassing a range of vertically integrated activities, individual components of the production process are increasingly separated into distinct workplaces and often located in different parts of the world. Production is organized into global supply chains. Many of the export-oriented manufacturing activities in developing countries involve low value-added, labour-intensive assembly operations in which almost all components are imported and the finished products exported. Competitive advantage in these manufacturing activities lies in keeping labour costs low, not exploiting scale economies. The virtuous cycle of Kaldorian industrialization may not take hold in this pattern of industrialization.

Forms of employment that were considered “pre-capitalist” remain viable in the most recent period of globalization. Instead of disappearing, informal employment has persisted and, in some cases, grown as a share of total employment even in countries with respectable records of economic growth (Heintz and Pollin 2005). Social protections and labour laws have not kept pace with these changes in the structure of employment, excluding workers from important aspects of the overall welfare regime.

These changes have important implications for how social policy is conceptualized and defined. For example, changes in the nature of employment are often associated with changes in the physical place of work, with subsequent implications for the scope of social policy. Increasing numbers of workers—perhaps the majority of workers now—work in “atypical” locations: industrial outworkers, for example, and self-employed backyard mechanics in their own homes; domestic workers in the private homes of their employers; street vendors in public spaces such as streets and public parks; and waste pickers on publicly or privately owned waste dumps. For such workers, local level infrastructural service provision (water, sanitation, secure shelter, roads for access to market and public transport) may be as important as sectors that are formally included in social policy. Certainly, the discipline and practice of occupational health and safety also needs to be broadened to include the newer forms and places of work.

Within this overall changing context, households are critically important institutions for managing risks and investing in children through unpaid care work. However, migration into urban areas can lead to the weakening of family networks in the rural areas, and the need to set up a new urban household in a situation of insecurity and vulnerability. Smaller family units come under pressure when employment opportunities are concentrated in low-productivity activities with low earnings. If the costs of social reproduction rise (that is, higher costs of children, the need to pay urban rentals and pay for utilities), the pressure on households becomes more acute. Under these conditions, men and/or women may find it advantageous to exit the household. This can lead to further transformations of households, for example, an increase in the number of households maintained by lone mothers. In other cases, labour force participation may increase to meet family income needs. This can cause a reallocation of labour from unpaid to paid work, and a significant lengthening of women’s working day.

## **V. Global Pressures on the Structure of Employment and Social Policy**

Traditional Kaldorian dynamics are deterministic in character, with the level of industrial development determining the structure of employment. We have questioned whether this standard scenario continues to apply in the current period of global integration. Now we turn to a consideration of structural changes at the global level that have implications for the structure of employment and social policies. Various structural and institutional factors, common to countries at different stages of development and operating at an international level, have

impacted the structure of employment in this recent period of globalization. The following analysis identifies a number of these factors, framing them in terms of labour demand and labour supply. The focus is on broad structural shifts in the global economy, which alters the structure of employment—albeit in different ways in different countries. In this section, we also consider how the neoliberal approach to economic governance has shaped social policy in recent decades.

Specifically, we argue that changes associated with the recent period of globalization have limited labour demand relative to labour supply. There are numerous outcomes of this imbalance between labour demand and supply, which include higher levels of open unemployment, growth of informal employment, reduced bargaining power of workers, downward pressure on the returns to labour, and a redistribution of risk from capital to labour. At the firm level, growing competitive pressure has encouraged employers to pursue cost-saving strategies. This can take the form of employers failing to comply with formal regulations, and/or taking advantage of atypical or non-standard employment arrangements that are not subject to regulatory oversights. All of these changes have important implications for the nature of the welfare regimes and pose challenges for crafting effective social policies.

### ***Labour demand: Macro developments, policy frameworks and employer strategies***

Neoliberal strategies have dominated the economic policy landscape since the late 1970s. These policies have tended to slow the growth of labour demand through a number of channels. Labour demand increases when production expands, which requires ongoing investments in productive capital—such as plant, equipment and machinery. However, the rate of private capital accumulation declined significantly in many parts of the world during the years in which neoliberal policies were ascendant (Akyüz 2006). Slower growth of productive investment translates into a slower growth of labour demand. There are exceptions to this trend. China has experienced relatively rapid rates of capital accumulation during the past several decades, but China's economic policies can hardly be described as neoliberal. Similarly, during the recent boom in commodity prices and the financial bubbles that emerged in the United States and several countries in Western Europe, the rate of investment in productive capital accelerated. However, as we will discuss in greater detail, these bubble dynamics proved to be unsustainable.

Neoliberal policies affect investment through a number of channels and the level of investment in productive capital supports increases in labour demand. Monetary policies that exclusively target low rates of inflation often rely on high interest rates. High interest rates slow economic activity by making credit more expensive and less accessible. This tends to reduce consumer purchases and makes financing productive investments more costly. All of these factors lower demand for labour. High interest rates also increase the return on financial assets, making financial investments more attractive than investments in productive activities. Higher real interest rates that raise the return on financial investments attract short-term inflows of finance from other countries. However, inflows of short-term finance pose risks—since such flows can leave as easily as they come. Sudden reversals of financial flows contribute to economic volatility, which causes long-term investments in productive capital to appear riskier. Inflows of capital can also lead to an appreciation of the exchange rate, which makes exports relatively more expensive and imports relatively cheaper. An exchange rate appreciation therefore reduces investment in export-producing industries and those sectors that compete with imported products (Frenkel and Taylor 2009). Again, these dynamics, taken together, limit the growth in labour demand.

Trade liberalization is a cornerstone of neoliberal policies. However, a sudden freeing up of trade can have adverse consequences for employment. In many cases, rapid trade liberalization leads to a surge in imports, which displaces domestic production and therefore lowers the demand for labour. If the growth of imports is not met with a similar upturn in exports, total productive activity in the economy will decline. Neoliberal policies also preclude the kind of



targeted industrial policies that have supported productive investment and industrial development in other countries in the past. Industrial policies, including directed credit through financial institutions and development banks, were instrumental in supporting rapid capital accumulation in the newly industrialized countries of East Asia (Amsden 2001; Chang 2003, 1994).

Neoliberal policies have led to the downsizing of the public sectors and privatization. This reduced the relative contribution of government institutions and agencies as an important source of formal employment in many countries. Hammouya (1999) presents data that show that government employment either declined faster or grew more slowly than private employment in most countries during the 1990s. The reduction in public sector employment has been particularly noticeable in the transition economies of Eastern Europe and Central Asia. Hammouya (1999) also indicates that public employment is a particularly important source of formal jobs for women; this is especially the case for women in professions such as teaching, nursing and social work (Lund 2010). Therefore, government downsizing would have a disproportionate impact on formal employment opportunities for women. Those in professional occupations may have options to move to formal jobs in the private sector; for many women, though, the downsizing would increase concentration in less formal, non-standard jobs or lead them to withdraw from the labour force altogether.

As discussed above, a central feature of the most recent period of globalization is the widespread liberalization of trade and the intensification of competitive pressures. Deliberate policy measures are frequently undertaken to keep the price of labour low. For example, neoliberal policies often argue for “labour market flexibility”, which implies fewer employment protections and less regulation of employment. Firms with low costs can keep their prices low, and thereby maintain their share of consumer markets. As global integration becomes more extensive, there is an increasing risk that lower-cost producers will undercut other firms in the market and thereby secure a larger share of the market. Low labour costs also protect profits in the face of intense global competition.

Competitive pressures also lead to efforts to raise labour productivity in order to lower average labour costs. In addition, improvements in labour productivity will negatively impact employment when demand for output does not increase as fast as labour productivity, since this implies that fewer workers are needed to produce the products that will ultimately be purchased. Numerous researchers have documented a reduction in the number of new jobs generated when production expands in many, but not all, countries over time.<sup>5</sup> One explanation for this change is that in recent years labour productivity has grown without a proportionate increase in demand for output.

Why is a slower rate of growth of labour demand important? When demand for labour grows slowly relative to labour supply, bargaining power shifts in favour of employers and the owners of firms. This change in the balance of power at the macro level allows employers to pursue specific strategies to maintain their competitive edge and protect profitability. For example, in a recent study of non-standard employment in Japan, the need to reduce labour costs (both wage and non-wage components) was one of the most common reasons given by firms for hiring part-time or agency workers (Keizer 2008). In addition, greater volatility and uncertainty lead employers to increase the share of non-standard and flexible employment arrangements as a strategy for managing risks – that is, risks are transferred from employers to workers. A study by Ono and Sullivan (2010) shows that manufacturing firms that face greater volatility tend to hire more temporary workers.

Such employer strategies impact the structure of employment. The outcomes range from less predictable earnings and hours of work to tiered systems of employment and social protection that combine a set of core employees with a more informalized workforce. During times of

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<sup>5</sup> Ghosh 2008; Kapsos 2005; Khan 2006.

crisis, pressures to reduce labour costs intensify, often leading to permanent changes in the nature of employment. Moreover, social policies are affected by this shift. “Labour market flexibility” frequently implies a rolling back of protections for paid employees. The support among firms for social policies that stabilize the domestic labour supply and encourage investment in specific skills weakens when production can be profitably offshored and outsourced.

### ***Global trends in labour supply***

There have also been far-reaching developments on the supply side of labour markets around the world. Here we highlight three issues that are of particular importance—greater integration of the global workforce, women’s labour force participation, and labour migration (particularly with regard to urbanization and cross-border movements). The focus is deliberately on global labour supply: employment outcomes are shaped, not just by trends in the domestic labour supply, but also by changes happening globally.

As the countries of the world reorient their economies to produce for a more integrated, common global market, the labour forces of individual countries become increasingly consolidated into what could be considered a single global labour supply, albeit still deeply segmented. Freeman (2007) has made this point in terms of what he identifies as the doubling of the global labour pool. With the market reforms in Eastern Europe, Central Asia and, perhaps most significantly, China, and India’s adoption of more outward-oriented economic policies, the number of workers engaged in production for the global market has increased enormously. The increase in the global pool of labour has outstripped the increase in the stock of capital (due to the slower growth of productive investment described in the previous section), making labour relatively more abundant and capital relatively scarcer (Freeman 2007). An abundance of labour relative to capital places downward pressure on labour’s terms of trade—which we define in terms of what workers receive for selling their labour relative to the costs of living—particularly if fixed capital accumulation has been sluggish, due to the neoliberal policies.

Whether the economic and geopolitical changes that Freeman discusses have produced an actual doubling of the global pool of labour is subject to debate and qualification (substitutability and mobility are highly imperfect), but his general point remains valid: global production for international markets has increased dramatically—effectively meaning that the workforce that is integrated, directly or indirectly, into global markets has expanded much more rapidly than the world’s population. Different countries and regions are integrated to varying extents. Those with sectors exporting manufactured goods and tradable services will have more integrated workforces than others.

The growth in industrial production for global markets has transformed the relationship between labour demand and potential sources of labour supply. Demand for production is no longer associated with increased demand for labour among a small set of highly industrialized countries. Today production can be sourced and labour services purchased from a wide range of competing countries. Labour in these countries can be said to be integrated, since one set of workers in one geographical location can substitute for an equivalent set of workers elsewhere, if we account for differences in labour costs and productivity. The increase in the global substitutability of labour implies that demand for labour is more responsive to differences in labour costs (Rodrik 1997). This suggests that improvements in wages and working conditions that raise labour costs will become more difficult to secure without risking job losses. Faced with higher costs, firms integrated into global supply chains can source production from another country with higher productivity, lower wages or less regulated labour markets.

Over the past several decades, one of the most significant transformations of the employment situation in a large number of countries has been a notable increase in women’s labour force participation (ILO 2008). The impact of this shift on the total labour force is often ambiguous. This is because men’s labour force participation rates have fallen, while women’s rates have

been increasing. Nevertheless, if we focus on the population of prime working age, 25 to 65 years old, the International Labour Office (ILO) estimates suggest that world labour force participation rates have been increasing, largely due to women's increased participation.<sup>6</sup>

As already discussed, women typically spend more time than men do in unpaid household and care work. Their increased labour force participation means that women work a "double shift"—part of their day is spent in paid work and part performing unpaid caring labour. However, given a limited amount of time available in a day, women's growing labour force participation will represent a reallocation of labour away from non-market activities and to market activities—even when participation rates in unpaid care and household work remain high. The burden of unpaid work may also be taken up by either younger or elderly women who are not active participants in the formal labour market.

Women who enter the labour force do not have the same employment opportunities available to them as men—the structure of employment is highly segmented along gender lines. Responsibilities for care work can also limit women's opportunities to take up jobs with flexible hours or activities in which care work can be combined with income generation. Women who have worked before take a less sophisticated "toolkit" of past experience to the labour market: they are more likely to have been domestic workers, or to have been in other non-entrepreneurial service jobs. These factors impact the distribution of employment across the population and lead to distinct structures of employment for men and women.

Two important global trends with regard to labour mobility are the ongoing migration from rural to urban areas and the movement of workers across national borders. The urban share of the population is highest for the high-income countries and lowest for low-income countries. In recent years, the share of the urban population has been growing—there is some indication that the growth of the share of the urban population has slowed somewhat for the high-income grouping and has accelerated for middle-income countries. Nevertheless, the growth of the global urban population is undeniable—the United Nations reports that virtually all population growth in the next three decades will be concentrated in urban areas (UN-HABITAT 2010).

What this suggests is that the urban labour supply has been growing, and will likely continue to grow, faster than the total population. This raises serious questions about the associated trends in urban employment opportunities and whether urban labour demand will grow sufficiently to absorb the expanding urban workforce (Heintz 2009). Kaldorian theory predicts that industrialization will trigger rural to urban migration, as individuals move to take advantage of better employment opportunities. As labour demand in the industrial sector increases, so does rural to urban migration. However, it is not uncommon to find that the growth in the urban population exceeds the growth in industrial employment opportunities. Rural to urban migrants who are not employed in industrial jobs will work in the service sector, in informal employment, or will become unemployed. If these patterns persist, the net result will be more informal and non-standard employment in urban areas, much of it concentrated in low-productivity services.

Movement across international borders also affects labour supply and the global distribution of human resources. The total number of international migrants has grown steadily in recent decades, reaching nearly 200 million by 2005 (UNDESA 2005). Although the total population of international migrants has been growing, the relationship between the number of migrants and the world's population has been relatively stable. Since 1990, the stock of international migrants as a percentage of the world's population has remained around 3 per cent. This implies that international migration has tended to increase with the size of the total population—at least since the beginning of the 1990s. It is important to bear in mind that the international migrant population is not distributed evenly across the countries of the world. In addition, countries experience uneven patterns of emigration. For countries with high levels of out-migration,

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<sup>6</sup> Economically Active Population Estimates and Projections (EAPEP) database.

remittances from employment can constitute a sizeable inflow of financial resources—for instance, Ghana, Mexico and the Philippines, to name a few.

In high-income countries, international migrants tend to be concentrated in low-paid, contingent and unprotected forms of employment. For example, in the United States, non-citizens account for a disproportionate share of employment as day labourers, part-time workers, and temporary hires—categories of work that on average tend to be significantly more precarious (Carré and Heintz 2009). Some migrant workers are caught up in highly exploitative, illegal employment arrangements. Despite these labour market disadvantages, remittances, financed through employment income and sent back to the country of origin, often constitute a sizeable component of household income, thereby reducing the risk of poverty. However, volatility in the global economy, including the recent downturn that began in 2008, raises the risks of relying on cross-border flows of remittances as a safety net.

Two relatively recent gendered trends in migration are first, that increasing numbers of women now migrate in their own right, that is, not as the spouse of the main migrant (IOM 2010). Second, a large proportion of the women who migrate from South to North do paid care work. This may range from low-paid domestic work to more secure (though often temporary) nursing work. This underscores how changes in labour mobility have shaped the welfare regime in recent years, including the critical question of how care is provided in different economies.

Taken together, these trends in labour demand and labour supply at the global level imply a restructuring of employment and a redistribution of economic risks. Specifically, growing inequalities, heightened uncertainty and downward pressures on the quality of employment among vulnerable workers suggest a strong role for innovative social policy in response to neoliberal globalization. However, the social policy response in recent decades has been uneven at best.

### ***Neoliberalism and social policy***

Neoliberal policies had far-reaching implications for social policy, apart from the discussion of investment, competitiveness and labour demand described above. Under neoliberal policies, social protection policies in the developing countries primarily focused on providing minimum safety nets for vulnerable populations, those affected by external economic shocks and individuals explicitly excluded from participating in a market economy (UNRISD 2009). Neoliberal social protections were often targeted, means-tested and designed to avoid “perverse” incentives (that is, keeping benefit levels low in order to ensure that only those who truly needed protection would avail themselves of the policies). In the industrialized countries, though there were shifts to cap spending on, for example, pensions and public health, such programmes involve long-term commitments and trigger political resistance when the public is given signals that benefits will be reduced, or employment security curtailed.

Social policies—including social protections, but also social services such as health and education—were often “commercialized” (Mackintosh and Koivusalo 2005; UNRISD 2009). Commercialization has involved an increased dependence on private, market-oriented delivery of social services and the implementation of cost-recovery schemes such as user fees. Such changes affect accessibility, with only those having adequate resources at their disposal being able to access the full range of social services. This is of particular concern for populations that have experienced an erosion of the quality of their employment.

Considered along with the changes in the structure of employment discussed above, the shifts in social policy under neoliberal economic management represent a fundamental redistribution of risk associated with the process of globalization. The changes in the structure of employment—growing informalization, the rise of atypical employment arrangements, the stagnation of job growth in high-productivity sectors, and the expansion of activities with low earnings—represent a shift in risk from employers to employees and from capital to labour.

Polanyi (1944) argued that such far-reaching market-based transformations would be met with growing pressures on government policy for the “self-protection of society” (Polanyi 1944:130–134). Under neoliberal policies, policies to protect society have frequently been rolled back at the same time that the market-mediated orchestration of economic life has been extended to an unprecedented degree. This has been the case in many countries of the industrialized North.

Countries have of course experienced different changes in terms of employment, and have rolled back social policies and protections in differing degrees. Indeed, there are many examples of countries that have extended social protections during this period of neoliberal globalization—in some ways fulfilling Polanyi’s prediction (UNRISD 2009). Some of the newly industrialized economies of East Asia, notably Korea and Taiwan, shifted towards more universal social protections following the East Asian economic crisis of 1997 (Kwon 2007). However, the Asian crisis also led to dramatic changes in the structure of employment, with the rapid rise of temporary and non-standard employment, for example in the case of Korea (Grubb et al. 2007). While social policies were being extended, employment was becoming more precarious, with the net effect on welfare and the distribution of economic risk unclear. In other cases, new social policies were introduced that focused on social assistance (such as cash transfer programmes) and were not aimed at improving and stabilizing employment opportunities.

## VI. Crisis, Employment and Social Policy

The financial crisis and global recession that became evident in the second half of 2008 has important implications for the structure of employment, the future directions of social policy and the nature of welfare regimes post-crisis. Therefore, it is helpful to consider the origins and emerging responses to this crisis—and other recent economic crises—when exploring the linkages between employment and welfare regimes in today’s world. Recent economic crises can be traced, at least to a significant degree, to the market-oriented reforms of neoliberal globalization, in which financial markets and capital flows had been deregulated. As discussed, these reforms were accompanied by a redistribution of economic power, away from labour and in favour of capital—including financial capital. In the following section, we focus on two recent financial bubbles and the resulting crises—in Japan and in the United States. However, the instability created by unregulated finance has also caused crises in developing countries. In many respects, the recent global crisis, and similar earlier episodes in East Asia, Brazil and Argentina, among others, are indicative of the broader dynamics explored in the previous section.

The 2008 global crisis had its origins in the financial markets of high-income countries in the global North. Before the advent of neoliberal globalization, industrial capital was expected to maintain productive, employment-generating investment that would ensure a steady supply of good jobs. In exchange, profitability was assured by sustaining aggregate demand while raising the productivity of labour. In the United States, improvements in wages and living standards, at least until the 1970s, helped maintain aggregate demand in the domestic market. Public investments in infrastructure and education provided important complementary inputs into production, which enhanced the productivity of private capital. Similar social accords regarding employment existed elsewhere. For example, at the heart of this social accord in Japan was the idea of life-time employment (*shūshin kōyō*). The accord presumed a gender division of labour between work in the market economy and work in the household—the idea that the jobs created, at least for men, should earn a “family wage” and would provide permanent, full-time work.

Restructuring of global production and deindustrialization undermined this earlier social bargain. With the rise of international production networks, the link between domestic incomes and the wages paid in production was weakened. For those developing countries that had become major exporters of manufactured goods, these changes meant that keeping labour costs

low was more important than the development of domestic markets. As we have already discussed, these dynamics affect both labour demand and the quality of employment.

Many high-income countries, but particularly the United States—the epicentre of the 2008 financial crisis—faced a challenge of maintaining a core set of “good jobs” in the face of these global pressures. The segments of society that had less power—for instance, women and marginalized populations (including racial/ethnic minorities and non-citizens)—were also the people disproportionately employed in non-standard and poor-quality jobs. This reduced the likelihood that distributive conflicts would become a serious challenge to entrenched economic interests. Nevertheless, the old social accord based on an expansion of industrial employment was clearly not sustainable, given changing global dynamics and patterns of deindustrialization.

The Kaldorian framework does not provide many insights into the course of development in post-industrial economies. This raises important questions. Will the share of low-productivity and precarious employment continue to grow in the absence of ongoing industrial expansion? Or can an allocation of resources to other sectors serve as a basis for sustainable improvements in the quality of employment? This latter scenario would require that the new driver of post-industrial development contributes to capital accumulation, long-run productivity improvements and aggregate demand. One possible candidate is the financial sector—with financial innovation and deepening becoming the new driving forces for economic development. After all, many post-industrial economies have experienced a rapid increase in the size of the financial sector in recent years. Can “financialization” replace “industrialization” as a foundation for providing quality employment opportunities in the future?

The rapid expansion of the financial sector, through the growth of financial services, new financial innovations and the appreciation of financial asset prices, reduced pressures on the structure of employment. Two clear examples were the bubble economy in Japan in the second half of the 1980s and, more consequentially, the bubble economy in the United States that first began to form in the 1990s. For a limited time, it appeared as if a reallocation of resources to the financial sector supported employment outcomes, investment and domestic demand in the non-financial segment of the economy.

Japan’s financial bubble formed in the mid-1980s and was characterized by rapid increases in stock prices and real estate speculation (Itoh 2000). Increasing stock prices fuelled additional financial investment, and growing speculative demand caused the prices of shares and real estate to continue to rise in a feedback loop typical of financial bubbles. In the United States, the financial bubble first appeared in the stock market in the 1990s, during the so-called “dot-com” boom. Following a short recession in 2001, financial investment diversified into other markets: the mortgage market and related financial products (the collapse of which caused the 2008 crisis) and, eventually, into commodity markets (Caballero et al. 2008).

In both Japan and the United States, the rapid growth of financial investment actually supported the broader economy. High levels of consumer demand and improved rates of productive investment supported job creation and kept unemployment rates low. In this respect, financialization did appear to substitute for industrialization, in that it helped maintain demand and investment in the economy. However, such economies are inherently unstable—the bubbles burst. The end of the financial boom in Japan was followed by a lost decade, with rising unemployment, the displacement of permanent jobs with short-term employment contracts, and noticeable deindustrialization. The bursting of the bubble in the United States brought about record levels of unemployment, massive shifts towards involuntary part-time employment and an enormous collapse of asset values for the middle class (specifically, housing assets and pensions).

During times of crisis, changes to labour demand and labour supply are more extreme, often leading to rapid changes in the structure of employment. On the labour demand side, firms

typically respond to economic downturns by reducing their workforce—since hiring decisions tend to be more easily reversed than investments in fixed plant and equipment. For the self-employed, demand for labour is directly derived from the demand for goods and services. An economic crisis lowers earnings and raises the degree of underemployment. Government revenues come under pressure as tax receipts fall, leading to job losses in the public sector. The dynamics with respect to labour demand and labour supply mean that the pressures for increasing informalization and the prevalence of non-standard employment arrangements grow.

On the labour supply side, adjustments may occur in either direction and appear to depend on a variety of factors. In some countries, there is evidence that labour supply increases in times of crisis, when household incomes come under pressure due to rising unemployment or falling real earnings. Much of the increase is a growth in women's labour force participation. This appears to have happened during Argentina's economic crisis that began in 2001 (Cerrutti 2000; Lee and Cho 2005). Similarly, research into the determinants of women's labour supply in post-apartheid South Africa has shown that women's labour force participation responded to increases in household joblessness—that is, unemployment among men led to greater labour force participation among women (Casale 2003). However, other countries have experienced a fall in labour force participation in crisis periods. For example, Korean women appear to have withdrawn from the labour force during the East Asian crisis (Lee and Cho 2005).

Although temporary and non-standard workers may be the first to lose their jobs in the wake of an economic crisis, these forms of employment may also grow most rapidly during the initial period of stabilization and recovery. As discussed previously, when faced with uncertain economic prospects, employers are more likely to increase employment of temporary or part-time workers (or used brokered employment—such as that provided by temporary employment agencies) rather than hiring permanent employees. Patterns of employment that emerge as part of the recovery process will become entrenched if they prove to be profitable. Thus, an employment practice that entails generating substantial numbers of non-standard jobs can become systematized during periods of crisis and then further expands during the recovery period.

Labour demand and supply responses during a crisis can have permanent impacts on the structure of employment. The economic downturns triggered by such crises are often treated, especially by economists, as cyclical phenomena. Recovery is expected to follow the crisis, with the economy eventually returning to a situation resembling its pre-crisis state. However, in terms of employment, this may not be the case. Short-term crises may have long-term consequences for the structure of employment.

The policy response to an economic crisis will alter the impact of that crisis on employment. The extent to which fiscal and monetary policies are used to stabilize employment and labour demand will affect the way in which the crisis plays out, and a successful policy response can mitigate or eliminate the long-term consequences of a crisis for the overall structure of employment. For example, China announced a 4-trillion Yuan (approximately \$590 billion)<sup>7</sup> fiscal stimulus package in response to the 2008 global economic crisis (*Economic Observer* 2009). Targeted areas of expenditures included public infrastructure, earthquake reconstruction activities (in response to the 2008 Sichuan earthquake), rural development initiatives and other government programmes and projects. The relatively mild impact of the crisis in China may be, in part, due to this aggressive fiscal response.

In contrast, South Korea experienced dramatic changes to its structure of employment, specifically with regard to the rapid rise of temporary and short-term employment, in the years following the East Asian crisis of 1997. Varied forms of fixed-term, contingent, temporary

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<sup>7</sup> All references to \$ are to United States (US) dollars.

agency and on-call workers grew from 16.6 per cent of total wage and salary employment in 2001 to 28.8 per cent in 2006 (Grubb et al. 2007:17).

A reform of welfare policy accompanied the fundamental change in the structure of employment in Korea. Prior to the East Asian crisis, the welfare regime in Korea was built on the assumption of relatively stable, full employment rooted in the ongoing expansion of the industrial sector (Kwon 2007). The crisis that began in 1997 revealed the weakness in the older system and led to the introduction of new social policies, including social protections for the unemployed. In part, the new welfare policies were motivated by the perceived need for labour markets to become increasingly flexible to maintain competitiveness. As Kwon (2007:9) puts it, one justification for the reforms was “so that employers could lay off their workers if necessary”. However, flexibility also involved the rapid increase in temporary forms of employment, as described above. This raises some critical questions. What is the net impact on the economic risks that households face when social policies are strengthened while employment becomes increasingly precarious? The move to “flexicurity” in countries such as Denmark reflects a similar compromise and raises concerns about the role of employment and employment policy in reshaping the nature of the welfare regime. “Flexicurity” provides a specific example of an employment-related social policy, dating from before the current global financial crisis, which has been seen as a method for making employment arrangements more flexible and responsive in the context of a changing global economy and heightened risks. The guarantee by the state is that hiring and firing laws will be made more flexible, but those who are dismissed will get access to better and longer-lasting unemployment benefits, and training and reskilling for enhanced chances of future employment. This raises two questions: first, whether the state has sufficient capacity to understand and resource alternative training, and, second, what the likelihood is that the economy will generate or sustain jobs for which the “flexibly retrenched” can be suitably trained.

For many low-income countries, with under-resourced welfare regimes and structures of employment characterized by high levels of economic risk, the scope for implementing more generous welfare policies to compensate for lack of decent work opportunities is limited at best. Widespread informality means that most of those engaged in productive employment are excluded, *de facto* if not *de jure*, from social protections. Economic crisis—even in the form of indirect contagion—squeezes government resources through dwindling tax revenues and constraints on official development assistance. Resource flows that support private systems of welfare support, such as remittances, are also adversely affected. For these countries, austerity can be thrust upon them, instead of reflecting a particular political choice.

Clearly, there is no single story to be told. However, we would argue that common structural changes in the global economy are redefining the structure of employment and the nature of the welfare regime, albeit in distinct ways in different countries. Moreover, the responses to the fragility of the real economy engendered by processes of financialization have not provided adequate social protection and employment security. In general, economic risks have grown among those segments of the population least able to manage them. Clearly, there is a role for social policy but it is unclear that the policy response has risen to this challenge. There is a trend to separate social policy from the broader management of the economy, with social policy cast in the role of providing a minimal level of protection, taking the larger economic risks as given. This raises serious concerns about the effectiveness of social policy when the sources of economic risk and vulnerability are not confronted.

## **VII. Employment Policy without Work-Related Social Benefits?**

In a number of different disciplinary and policy domains, there is a move towards more emphasis on social policy tied to social citizenship, and away from social policy linked to worker rights and employment; a (probably unintentional) dilution of a focus on workers’ benefits in, for example, the global social floor campaign; and in some, purposeful advocacy to



decouple workers' benefits—what used to be called the social wage—from employment, in favour of more general citizens' rights to social protections of various sorts.

Some of these policy positions are reactions to the changes in the global economy that continue to alter the structure of employment such that it is no longer possible to maintain the kind of labour market outcomes that were possible in North America, Western Europe and Japan during the “golden age of capitalism” —roughly the 1950s until the beginning of the 1970s. It is argued that welfare regimes that are predicated on achieving the ideal of decent work for all will not fully succeed; formal employment in particular can no longer be guaranteed (see Bourguignon 2005). Some (such as Levy 2008, Perry et al. 2007) argue that work-related benefits such as unemployment insurance, access to employment-related health care, and retirement provision, should be phased out, and replaced with citizen entitlements. Levy, who is a proponent of significant social spending, is also concerned about the sclerotic, fragmented and expensive welfare bureaucracies that deliver work-related social benefits in Mexico.

Others have reached similar conclusions regarding delinking, but coming from the perspective of “decommodification”. This approach argues that the principal objective of the welfare state is to ensure that individuals can maintain a livelihood without needing to rely on market transactions (Esping-Andersen 1990; Standing 2009). True decommodification requires universal social benefits, including income replacement, that are sufficiently generous so as to make the decision to engage in productive employment one that is freely chosen. Again, the social benefits must be delinked from employment so that no one is placed in a position where he or she feel compelled to sell their labour power on a market in exchange for income. Of course, there are fundamental differences between the “safety net of last resort” and the decommodification approaches, a critical one being the level of income support provided by the welfare state. Nevertheless, they share a common perspective in terms of the need to delink social benefits from employment.

One criticism of the minimum safety net, delinked from employment, is that the benefits of such schemes cannot represent an adequate response to the economic risks in today's global economy. Cash transfer programmes are sometimes justified as assisting those excluded from economic opportunities; sometimes an explicit goal is to enable child beneficiaries to do productive work in the future. Nevertheless, a low-level grant does not adequately replace the income from wages and social benefits linked to formal employment. This makes it difficult to argue that employment policy can be delinked from questions of social welfare.

Proposals for welfare regimes based only on the decommodification of labour also pose some conceptual challenges. For example, unpaid care work performed in the household is not exchange on markets. In this sense, it is not commodified.<sup>8</sup> Moreover, given the unequal burden of care work it is hard to argue that simply the absence of commodification (labour performed independent of market exchange) necessarily supports broader goals of social justice. It could be argued that, in some cases, commodification is an improvement in the sense that it assigns a value (frequently inadequate) to unvalued or undervalued labour. The critical issue may not be whether markets are involved, but the degree of choice, autonomy and control across all forms of labour.

Another problematic aspect of casting the goal of welfare policy in terms of decommodification is that it is an expensive proposition. It requires that the state extend universal benefits at a level that would allow complete choice with regard to employment. The state must have adequate resources in order to pursue such a policy. Barring access to large stocks of highly valued natural resources, state revenues of this magnitude can only be generated and sustained by

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<sup>8</sup> Esping-Andersen (1990) implicitly agrees with this position, stating that decommodification allows people to pursue “activities other than working, be they child-bearing, family responsibilities, re-education, organizational activities, or even leisure” (p. 46). Claiming that child-bearing and family responsibilities do not involve work is problematic—although Esping-Andersen argues that, under true de-commodification, people would still be paid for engaging in these activities. Nevertheless, it raises concerns about the gender division of labour and whether this type of decommodification will benefit men and women equally.

fully employing the human resources of a country in high-productivity activities. Esping-Andersen (1990) in his influential book, *The Three Worlds of Welfare Capitalism*, acknowledges this constraint:

Perhaps the most salient characteristic of the social democratic regime is its fusion of welfare and work. It is at once genuinely committed to a full-employment guarantee, and entirely dependent on its attainment. On the one side, the right to work has equal status to the right of income protection. On the other side, *the enormous costs of maintaining a solidaristic, universalistic, and de-commodifying welfare system means that it must minimize social problems and maximize revenue income* (Esping-Andersen 1990:28, emphasis added).

In other words, a decommodifying welfare state must maintain something close to full employment. There is no way of delinking employment policy from the broader welfare regime. This includes macroeconomic policies that have a direct impact on the level of employment. Given the impact of the recent financial crisis, it also requires policy that disciplines capital in ways that support broader social objectives—in today's economies, this means regulating financial capital in particular.

Neoclassical theories of dual labour markets also provide a motivation for delinking. In a standard formulation of these arguments, rigidities in formal labour markets—connected with the imposition of minimum wages, employment protections, labour rights or collective bargaining agreements—limit the number of formal jobs created (Fields 1975). Individuals who cannot find formal employment work informally. In this case, social protections linked to employment are a cause of informality. Similar arguments have been made with regard to social protection schemes that extend different protections to formal and informal workers (for example, Levy 2008). If social protections targeted at informal workers are more desirable or less costly (to employers or workers) than protections aimed at formal workers, incentives are created that will encourage the expansion of informal employment. In these theoretical arguments, social protections linked to employment introduce distortions into labour markets that generate excessive informality. Such arguments are premised on the notion that labour markets would operate smoothly if it were not for imperfections introduced by regulations and social protection. However, non-regulatory market failures are commonplace in all labour markets. There are numerous reasons why real-world labour markets fail to operate in the way predicted by neoclassical theory—for example, real efforts by employers to avoid the costs associated with hiring workers, real costs of finding employment and participating in labour markets, imperfect information, the existence of unequal power dynamics in wage and self-employment, discriminatory practices and barriers to worker mobility. When market failures are pronounced, regulations—including social protections—can make labour markets work better. However, this involves explicitly linking regulations to the operation of labour markets.

With the inequalities that exist between women and men in labour markets—including differences in labour force participation, the unequal distribution of unpaid work and labour markets that are highly segmented along gender lines—social protections with strong links to employment are often inherently unequal. Such inequalities can reinforce gender divisions of labour and the role of patriarchal households in providing social security for those not engaged in paid employment. The resulting welfare regime will reproduce inequalities between men and women. Delinking social protections from employment reduces the propensity for social policy to reinforce existing hierarchies in the labour market. While delinking provides a partial solution to these problems, it does little to address the gender inequalities inherent in the prevailing structure of employment.

The concerns raised by proponents of delinking may be valid. Clearly, social protection should not be designed as to replicate hierarchies or reinforce social exclusion. Social policies should expand choices, not limit them. And social policies should improve the ways in which labour markets work—not create opportunities for rent-seeking among the upper echelon of workers and employers. However, the bigger concern about delinking is that employment is not seen as

central to the formation of social policies and to the creation of more equitable welfare regimes. There is a real concern that, if employment is marginalized, an emphasis on delinking impoverishes welfare strategies, making them overly narrow.

## VIII. The Interweaving of Social Policies and Employment Policies

The discussion to this point has treated social policies largely as an important means through which the state meets obligations concerning certain economic and social rights (such as adequate standards of living, health and education). Our consideration of the role of employment has been to stress its importance in meeting the objectives of social policy. By employment policy we mean a range of interventions, including active labour market policies to better match workers with available opportunities, skills and training programmes to develop human resources, strategic industrial and productive sector policies to encourage changes in the structure of employment with positive welfare benefits, and employment-friendly macroeconomic policies to ensure that interest rates, credit expansion, exchange rates and fiscal policies are in line with broader employment objectives. However, there should not be a strict division between economic policy and social policy with regard to improving employment outcomes. It is critical to take into account the role that social policies play in supporting employment.

Real economic resources go into producing human beings. The economic inputs include marketed goods and services (a fraction of GDP is dedicated to raising children) and non-market goods and services (such as those produced with unpaid care work). The coordination of these inputs to produce human beings takes place in numerous settings and institutional forms, including the household, public institutions, kinship networks, communities and markets (such as for food, shelter and paid care). How well these institutions do at producing quality human beings will have an impact on employment outcomes, including the ability of the economy to produce resources adequate for sustaining a high-quality welfare regime. To put it another way, social and economic policies must recognize that labour is a produced factor of production, and the quality of human resources that are developed in an economy will depend on the nature of social policies and the welfare regime.

Treating labour as a produced factor of production allows us to move beyond the neoliberal idea of social policy as something that is done after economic policy has created the conditions for growth, and/or something that is done to mitigate the inequalities that inevitably accompany economic development. Many of the institutions responsible for producing human beings are themselves the objects of social policies—including educational and health services. Social protections for working people have an impact on the production of skills and abilities. Well-designed maternity and paternity leave policies can change the allocation of resources to support better child outcomes by mitigating labour market penalties. Similarly, public childcare programmes help resolve work–family conflicts and lead to better choices. Social protections for both formal and informal workers protect income when employment is interrupted due to illness, disability or job loss and therefore help sustain households in the face of an unexpected shock. In short, social policies and social protections contribute to macroeconomic performance, but acknowledging this linkage requires a change of mindset in which the production of human resources is recognized as integral to the functioning of the economy.

At a more micro level, effective human resource policies are critical for the effective implementation of social policies. For most social policies, the quality and allocation of human resources are critical. In the health sector, governments decide, often in collaboration with the private health sector, the pharmaceutical industry and the insurance industry, how to distribute health spending between primary-level and tertiary-level care, guided by their overall health policy. It constitutes and moulds class and gender stratification in this process, through directly employing different categories of personnel (nurses and social workers, for example), or through regulating provision by the private sector. Tertiary-level care requires highly skilled

personnel, with implications both for training institutions and costs, and for higher wages. Yet the gendered care penalty remains even at these highly skilled levels. This has been demonstrated in South Africa, where much higher salaries are earned by (predominantly male) engineers compared to (predominantly female) nurses, though they have equivalent training (Budlender's calculations, cited in Lund 2010). At the same time, in the face of the rampant AIDS epidemic, the South African government has turned to community care and home-based care policies. These promote the women's voluntary or low-paid involvement in the continuum of care, increasing the care responsibilities of women.

The relationships between social policy and employment are varied and wide-ranging. With regard to housing, if large-scale subsidized housing for poorer people is a social policy commitment, then employment in the construction sector grows. With regard to social assistance programmes, evidence suggests that cash transfers have employment effects. While the widespread fear is that such state support will lead to people withdrawing their labour, research in South Africa shows how cash transfers are used for work-seeking—receipt of an old-age pension by an older woman is associated with mothers of young children leaving the children in the care of the older woman, in order to seek paid work (Ardington et al. 2007; Posel et al. 2006). Some cash transfer programmes, such as in Malawi and Ethiopia, include subsidies for growing productive assets (food and cattle).

In short, employment and social policies are closely intertwined, and it is difficult to see how the two could be successfully delinked. The risk of attempting to do so is that employment policy disappears as a significant concern when trying to reconstitute and redefine welfare regimes in the current context.

## **VIII. Conclusion: Areas for Future Research**

This paper has argued that social policy and the development of welfare regimes cannot be separated from labour market and employment policies. Unlike proponents of delinking, we argue that the recognition of these connections has become even more imperative, given changes in the structure of employment arising from the institutions and dynamics associated with today's globalized economies. Although there are many common threads connecting social policy to employment, and vice versa, we recognize that countries have unique histories, politics, economic structures and relationships to other economies that make too much generalization unwise. Nevertheless, we have suggested the various ways in which the structure of employment has been changing in different country contexts and have attempted to identify implications for social policy and welfare regimes. We need to better understand how employment is changing, what factors are behind these shifts, and what the implications are for social policy.

This includes consideration of policies that are often assumed to lie beyond the scope of social policy—for example, to what extent is regulatory reform in the financial sector essential for creating a just and sustainable welfare regime? It also includes the need to insert into both economic and social policies a much greater awareness of how changing employment arrangements directly influence the distribution and level of economic risk, for both workers and their families, and to take into account explicitly the extent to which existing social policies address those risks. It requires taking a *global* view of integrated economic and social policies, moving away from the tendency to separate out policies appropriate for the North, and those befitting the South. Finally, the changing structure of employment and the move away from "typical" workplaces, such as shops, factories and offices, to "atypical" places such as private homes, streets and public places, means that there needs to be a greater focus on the role of local government provision in securing decent working conditions.

We conclude with some priorities for further research and analysis.

In the last decade or so, real progress has been made with regard to improving the quality of information on employment in a wider spectrum of countries. These improvements allow for the analysis of the structure of employment along a growing number of dimensions and, in some cases, provide new insights into how the structure of employment has changed over time. Information is now collected that heightens the visibility and numbers of informal workers, allows measurement of the size of the informal economy and facilitates the assessment of the degree to which individuals in remunerative employment have access to social protection. Data are often available on atypical forms of employment, including short-term hires and seasonal work. In addition, individual status in employment and the labour force can be analysed in the context of household-level dynamics. However, the existing data have been under-analysed with regard to the issues discussed in this paper. Therefore, one concrete research task would be to document the structure of employment in countries for which data exist and to describe how the structure of employment has changed over time. Analysis along these lines could be linked to research into the livelihood strategies of households, in order to understand better how changes in the structure of employment affect the material well-being of households.

Linked to the analysis of the evolving structure of employment is the need for a fuller exploration of the nature of modern welfare regimes in the context of global integration. Central to this task would be a careful analysis of the interconnections between the welfare regime, as defined and described in this paper, and the structure of employment, including the institutions that constitute the welfare regime – such as the states, markets and households.

Devising appropriate social policy requires an understanding of the risks that individuals face. Specifically, when making links between employment and social protection, the vulnerabilities of employed individuals need to be more systematically studied. Labour force surveys are variable in their ability to capture trends in the exposure of those in employment to economic and physical risk, and in the access of the workers themselves and their families to social programme benefits that mitigate these risks. As discussed in this paper, “status in employment” can be thought of as the nexus between risk and control (or autonomy). Standard employment status categories are inadequate to the task of fully evaluating the degree of risk and the extent of control. Yet an assessment of risk and control is needed to develop effective social policies (to manage risks) and social protections (to prevent exploitation of dependencies). A significant step could be achieved by designing, in partnership with national statistics offices, a module of a labour force survey that includes exposure to risk, analyses of who controls (de jure and de facto) the workplace, and access to social programmes derived through work and outside of work.

Related to a better assessment of risks is the need for more research on the issue of place of work, both in economic and in social policy. The discipline and practice of occupational health and safety purports to regulate working conditions of workers at their place of work, with place of work being defined in terms of formal sites such as shops, factories, offices and mines. It is likely that the majority of the world’s workers now do not work in such formal places, as noted earlier. What is the relationship between place of work, economic risk and workers’ autonomy at the workplace? What is the relationship with workers’ health, and prospects of upward mobility? Could a more inclusive occupational health and safety be developed that would both protect workers’ health and enable increased productivity?

At the macroeconomic level, the recent global financial crisis, and prior economic crises triggered by capital flows and banking failures, has underscored the relationship between processes of financialization and employment risks. However, the channels through which financial risks get transferred to the real economy and, in times of crisis, manifest themselves by heightening the precariousness of employment, are not fully understood. Moreover, the argument that labour market flexibility is needed as a “shock absorber” for financial collapse needs to be interrogated more aggressively, and the endogeneity of financial fragility (that is, the notion that fragility is produced by specific economic dynamics that may be controlled through regulation) needs to be explicitly examined. For example, financial regulation may very well be a more sensible response to volatility than labour market deregulation. Central to this

research area is a more detailed analysis of the role of finance in the economy and the implications for employment and social protection.

Understanding the link between employment and social policies must be premised on a deeper understanding of the process whereby the structure of employment changes. This includes processes of informalization and the rise of non-standard employment. More attention needs to be given to precise analysis of the process of informalization and casualization in different sectors, and in different countries, and whether and how men and women are differentially affected. Which work-related social benefits are generally lost first? Which benefits can be and have been retained through worker actions or indeed through other institutional actions? How have aspects of the quality of employment changed, aspects that may not be directly captured by social protection indicators (such as volatility of earnings or uncertainty in the length of employment)? Are macroeconomic dynamics or specific institutional arrangements associated with different pathways along which the structure of employment evolves?

Social and economic policies intersect when labour is recognized as a produced factor of production. The quality of human resources depends on the nature of social policies and the welfare regime—including the central role of caring labour, both paid and unpaid. Much attention has been given to how formal investments in education, experience and skills-building—gathered together under the heading of “human capital”—affect employment outcomes. There is far less research on how other aspects of the welfare regime contribute to the production of human beings—and the effect these long-term investments have on employment. There is a need for much greater work on how welfare regimes, in their entirety, support investments in human beings. Future research should include a consideration of social policies that recognize the non-market provision of care, with special attention to policies that attempt to mitigate the costs to those who specialize in care work, including reduced access to quality employment.

There is a real need to know the extent to which delinking works. For example, to what extent does the provision of a low-level cash transfer, a safety net or a universal social floor mitigate heightened risks that are transmitted through labour markets and employment arrangements? Do such policies help to make labour markets work better, and in what ways? Are there serious gaps and areas of neglect that need to be remedied?

This paper has noted the significance of migrant remittances as a source of security for the households in the sending countries/countries of origin. More needs to be understood about migrants’ access to social service resources in the destination cities and countries. Some of this will be determined by their legal status, and status in work, in the destination country. As more women migrate in their own right, and as some migrant men and women will manage to set up a new household in the destination city and country, how do they get access to education and health services, for example, and with what effects on their own and their children’s health and educational status? There is the additional issue of portability of benefits between countries, and/or loss of benefits in the sending country.

Finally, this paper has argued that there is a tendency for social policy to be treated as a kind of residual policy category—something that is done when the business of running the economy has been accomplished. However, social policy is critical for the development of human resources and capabilities that themselves influence employment outcomes. In addition, the distribution of human resources throughout the social sector has direct implications for the implementation of social policies. These relationships have not been well documented or explored. There is a real need to do so, in concrete contexts with specific examples, in order to better understand the relationship between social policy, welfare regimes and employment.

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