Socially responsible globalization: The challenge for social security

Bob DEACON

Professor, University of Sheffield, United Kingdom
Director of Globalism and Social Policy Programme (GASPP), STAKES, Helsinki, Finland

INTERNATIONAL SOCIAL SECURITY ASSOCIATION (ISSA)
RESEARCH PROGRAMME

CONFERENCE HOSTS: FINNISH ISSA MEMBER ORGANIZATIONS
Socially responsible globalization: The challenge for social security

Bob Deacon
Professor
University of Sheffield, United Kingdom
Director of Globalism and Social Policy Programme (GASPP), STAKES, Helsinki, Finland

This paper argues that the earlier phase of neo-liberal globalization that took no account of its negative social consequences has given way in terms of the dominant global discourse to a “socially responsible globalization” which seeks to address some of the issues of increasing inequity and increasing social risks. This dominant discourse and associated practice is, however, one that favours only a residual role for the state, a targeted focus on only the poor and an aggressive privatization of social provision for the global middle class. This “socially responsible globalization” is undermining the prospects for establishing a social contract between the middle class and the poor in emerging market and developing economies. The historical conditions that fostered universalistic and equitable social security arrangements in Europe will not be replicated elsewhere unless a concern with equity is reinserted into the global social policy and social development discourse. This poses a challenge to social security institutions and policy makers to re-examine their original purpose and consider how this might be applied within a global context.

Introduction

Subsequent papers by the keynote speakers of the Conference will address more directly the relationship between globalization and social security. Fritz Scharpf will examine the impact of globalization upon welfare states. Alain Euzéby will consider the issue of financing social protection in a global labour market. Deborah Mitchell will examine the relationship between globalization and social cohesion and thus address the issue of responsibility for protecting against increased risks. It falls to this paper therefore to set these more detailed discussions in the context of what I call the global discourse of social policy. Let me explain what I mean by the global discourse. Too often globalization is regarded as purely an economic phenomenon that is driven by unstoppable forces to which we as policy makers can only react. Globalization is also a product of political decisions made by governments and other actors. More importantly the form that increased interconnectedness between nations takes is a matter of choice. The choice initially was for a neo-liberal globalization that assumes that unregulated markets maximize global welfare. It is possible to conceive of a social democratic globalization within which global governance institutions raise global revenues to facilitate global redistribution and oversee a set of global social regulations and through global courts of social rights empower
citizens to demand these rights of their governments. It is the contention of this paper that the global political choice being made at this moment by those who dominate the global social policy and social development discourse is neither for a fundamentalist neo-liberal globalization nor for a social democratic globalization but for a “socially responsible globalization” which while it appears to be addressing the short comings of neo-liberal globalization is actually generating a fundamental threat to equitable social welfare provisioning. Such a trend poses major problems for existing social security institutions.

This paper proceeds through four stages. First a brief summary of how neo-liberal globalization has impacted upon welfare states in the north and social development prospects in the south is provided. Secondly the emerging “socially responsible globalization” discourse is described. This is then critiqued from the standpoint of a concern with equity. Finally the implications for social security are briefly addressed.

**Neo-liberal globalization challenges northern welfare states and southern social development**

I have argued elsewhere (Deacon, 1999) that neo-liberal globalization:

- **Sets welfare states in competition with each other.** This generates the danger of social dumping, deregulation and a race to the welfare bottom. There are, however, political choices available within each welfare state. Does it indeed cut expenditures and loosen labour and other regulations and pursue the race to the welfare bottom? Does it spend on certain aspects of social welfare to increase productivity and political and social stability in order to attract investment? Does it steer a third course and maintain all welfare expenditures funded in ways that do least damage to competitiveness?

- **Raises issues of social redistribution, social regulation, and social empowerment to a regional and global level.** As a result new supranational and global actors enter the picture and complicate the politics of welfare. These include Inter-governmental Organizations such as the Bretton Woods organizations, the UN family of agencies, the Organisation for Economic Co-operation and Development (OECD), etc., International Non-Governmental Organizations (INGO), Transnational Corporations, Global Social Movements, and Transnational Policy Networks, Epistemic Communities, and Subcontracted Consultancy Companies. It is because of this that there have been calls to regulate some of the global actors and to reform the contribution of others to global social governance.

- **Generates a global discourse within and between global actors on the future of national and supranational social policy.** In the emerging ‘complex multi-lateralism’ the future for social policy at both national and supranational level is being shaped by a struggle between supranational organizations for the right to shape policy, and within and between supranational organizations for the content of social policy. Below we note for example how within this global discourse certain assumptions held by the International Monetary Fund (IMF) and the World Bank about desirable social policy has, steered countries to an unnecessary convergence in the direction of the revisualization and privatization of social protection.
• Creates a global market in welfare providers. The increased opportunity globalization generates for private providers of welfare services to become global and operate in many countries may contribute to the undermining of national social provision and national regulatory policies. It is clear that the international insurance market is waiting in the wings to sell its products to the less risky sections of the population in Europe if the pressures upon pay-roll taxes begin to create political alliances for reducing public pension commitments. Global markets in social care providers, health service providers (Koivusalo and Ollila, 1997; World Health Organization (WHO), 1998), social assistance and welfare benefits providers as well as education are active in Europe.

In fact so far developed European welfare states are differentially affected by globalization, some being more challenged, some in principle more sustainable in the face of globalization and others flowing with the tide of liberalizing globalization at the price of social equity. A summary of some of the considerations leading to this conclusion is set out below. Here globalization is unpacked into component elements. Capital flows and associated currency speculation is one element that has impacted on transition countries. Increased free trade is another that differentially affects countries. Embeddedness in the international production system is a third and here there are country differences. Finally an element of globalization that is of particular relevance to the post communist developed countries is the role of the global financial institutions in shaping through loan conditionality a particular model of social protection.

Table 1. The complex impact of aspects of globalization upon European welfare states

<table>
<thead>
<tr>
<th>Type of welfare state</th>
<th>Impact of short term capital flows</th>
<th>Impact of lower trade barriers</th>
<th>Impact of embeddedness in international production</th>
<th>Impact of global financial actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>State socialist</td>
<td>Threatened</td>
<td>Short term benefit of low wages</td>
<td>Not yet embedded but challenges workplace welfare</td>
<td>Large push to liberal (residual) social policy</td>
</tr>
<tr>
<td>Bismarckian</td>
<td>Potential protection by Euro</td>
<td>Challenges labour market rigidities and payroll taxes</td>
<td>Positive history in high tech production</td>
<td>Little</td>
</tr>
<tr>
<td>Social democratic</td>
<td>Potential protection for some by Euro</td>
<td>Income and consumer tax based benefits resistant if political will</td>
<td>Positive history in high tech production</td>
<td>Little</td>
</tr>
<tr>
<td>Liberal Anglo-Saxon</td>
<td>Gamble upon being outside Euro</td>
<td>“Benefits” for jobs of flexibility and lower wages but at price of inequity and poverty</td>
<td>High tech production seen as threatened by some</td>
<td>Little</td>
</tr>
</tbody>
</table>

The outcome of this review and analysis suggests that:

• Liberal social policy involving residualization, individualization and privatization chimes with the phase of neo-liberal globalization but at the cost of inequity.

Bob Deacon
Workplace based welfare systems of the former state socialist countries and the high payroll tax based Bismarckian insurance systems are vulnerable to global competitive pressures.

Social Democratic citizenship based welfare systems funded out of consumption taxes are, given the political will, surprisingly sustainable in the face of global pressures.

In terms of developing countries and many emerging economies globalization has:

- **Generated severe indebtedness.** This has undermined the capacity of governments to secure education, health and social protection so that in many countries it is now left to new Non-Governmental Organizations (NGO) and bottom up credit initiatives to provide a partial network of coverage for some people.

- **Threatened assets and standards.** Globalization has encouraged the perfectly rational response of selling of country assets including those arising from low labour costs to attract capital at any price and with disregard for emerging global labour, environmental and social standards. Tax havens for Transnational Corporations as part of this strategy further undermine the revenue raising capacity of such governments.

- **Segmented social policy** within many countries so that different population segments are living under very different internal welfare regimes. Workers in Export Processing Zones may have limited access to workplace and citizenship rights (International Confederation of Free Trade Unions (ICFTU), 1998). Some employees of transnational industries may be protected by company benefits that tap into global private provision. Some state employees in some countries may continue to access health and welfare benefits and pension schemes established either in post-colonial days or as part of the state social provision of former socialist economies but these too are withering.

- **Created zones of exclusion** in Africa and elsewhere from the formal global economy. These are zones within which the normal functions of the state such as taxation, regulation and social spending are non-existent. Within such countries and areas a form of “adverse incorporation” is taking place whereby the poor without formal rights are obliged to engage in informal exchange and submit themselves to clientalist relationships to secure their practical survival needs. Within this context the informal global economy of drugs, prostitution, arms dealing and illegal trade flourishes.

**Global discourse of social policy and social development: Towards a socially responsible globalization?**

Earlier (Deacon, 1997) I argued that the IMF regarded welfare expenditure as a burden on the economy favouring a US workfare style safety net approach to social policy and that the World Bank’s focus on poverty alleviation lead it too to favour a safety net approach. Within the International Labour Organization (ILO) and some other UN agencies, on the other hand, were to be found supporters of the view that social expenditures were a means of securing social cohesion. The ILO in particular supported a conservative-corporatist Bismarckian type of social protection. The OECD favoured the notion that certain state welfare expenditures should be regarded as a necessary investment. No international organization, save possibly the United

---

*Bob Deacon*
Nations Children’s Fund (UNICEF), could be said to defend the redistributive approach to social policy characteristic of the Scandinavian countries. In the study of the role played by such international organizations in shaping post-communist social policy it was concluded (Deacon, 1997: 197) that the

... opportunity created by the collapse of communism for the global actors to shape the future of social policy has been grasped enthusiastically by the dominant social liberal tendency in the World Bank. In alliance with social development NGOs who are being given a part to play especially in zones of instability, a social safety net future is being constructed. This NGO support combined with the political support of many southern and some East European governments is challenging powerfully those defenders of universalist and social security based welfare states to be found in the European Union, the ILO and in smaller number in the World Bank.

These conclusions still broadly stand, although there continue to be interesting shifts of the position of particular players within this debate. The IMF has taken the social dimension of globalization more seriously considering whether some degree of equity is beneficial to economic growth (IMF, 1998). The World Bank has articulated more clearly its risk management approach to social protection in the context of globalization (Holzmann and Jorgensen, 1999). The OECD now warns that globalization may lead to the need for more, not less social expenditure (OECD, 1999). The ILO has begun to show signs of making concessions to the World Bank’s views on privatizing some part of social security (Gillion et al., 2000) while other moves within the ILO suggest an interest in a new universalism emerging from bottom-up movements in several countries (Standing, 2000). More recently the role of the World Trade Organization (WTO) and its views on the desirability of fostering a global market in health and social service provision is assuming a prominence it did not have (Koivusalo, 1999). INGOs are more clearly now divided into those which are acting as substitutes for government and those which are more concerned to act as policy advocates for more greater government responsibility for welfare.

I have argued elsewhere (Deacon, 2000) that within this discordant discourse can be discerned elements of what appear to be a new politics of global social responsibility. Fundamentalist economic liberalism and inhumane structural adjustment appears to be giving way to a concern on the part of the World Bank and the IMF with social consequences of globalization. International development assistance is concerned to focus on social development. UN agencies are increasingly exercised by the negative social consequences of globalization. Among the shifts in policy thinking and concrete steps that are being taken which could herald a more socially responsible globalization are the following. The possible criticisms of these steps are also noted.

- **The move from human rights to social rights and from declaration to implementation**
  *But moralizing about rights without resource transfers is counterproductive.*

- **The trend in international development co-operation towards setting goals and monitoring progress**
  *But attainable development targets may be a legitimating of residual social policy.*

- **The move to secure global minimum labour, social and health standards**
But core labour standards are a lowering of standards for some

• The move to establish codes of practice for socially responsible investment and business
  But they may lead to dis-investment in the south

• The calls for global economic regulation and taxation
  But are the Principles and Good Practice in Social policy being ignored by the IMF?

• The moves to extend constructive regionalism with a social dimension
  But regions are also social protectionist blocks?

Not all of these steps is given emphasize by the Bretton Woods organizations. The World Bank is reluctant to embrace the language of labour or social rights. Each of these steps is problematic in some ways, but taken together they do seem to suggest a shift away from a global politics of liberalism to a global politics of social concern. It is now the case that the emerging dominant intellectual strand within the epistemic communities within and around the World Bank and International Development community agrees that:

• global macro-economic management needs to address the social consequences of globalization;

• a set of social rights and entitlements to which global citizens might aspire can be fashioned;

• international development co-operation will focus aid on meeting basic social needs;

• debt relief should be speeded up so long as the funds are used to alleviate poverty;

• the globalization of trade generates the need for the globalization of labour and social standards;

• good governments are an essential ingredient in encouraging socially responsible development.

This is a long way from the situation, which prompted the writing of Adjustment with a Human Face. One could almost be tempted to label the new era as globalization with a human face. There are, however, a number of disagreements as to how to proceed with this new orientation:

• much of the south is suspicious of even progressive social conditionality;

• how both world trade and world labour standards can co-exist without the standards being reduced to minimal core standards or being used for protectionist purposes is far from clear;

• initiatives to empower the UN with global revenue raising powers are firmly resisted by some.
My concern with the new consensus is that even if the disagreements could be overcome as to how the new global social agenda were to be implemented and funded this would still generate a situation that posed a fundamental threat to equitable social policy and equitable social development north and south. The history of the struggle to build welfare states teaches us that social equity and high levels of social provision accessible to all has only been secured and retained when the services of those welfare states are available to and used by the middle class. It is the sharp elbow of the middle class every bit as much as working class pressure and/or concern for the poor that has ensured good quality social provision. The better off will only be taxed if they also benefit.

The coexistence of four tendencies within the new global paradigm, if allowed to be pursued, will undermine this essential precondition for equitable social progress just as the world enters a new millennium with the resources to fund such equitable development. These tendencies are:

- The World Bank’s belief that governments should only provide minimal levels of social protection.
- The OECD Development Assistance Committee’s concern to fund only basic education and health care.
- The International NGO’s self interest in substituting for government services.
- The moves being made within the World Trade Organization to speed the global market in private health, social care, education and insurance services.

Within the context of withering state provision the middle classes of developing and transition economies will be enticed into the purchase of private social security schemes, into the purchase for their children of private secondary and tertiary education, and into the purchase even at the expense of subsequent personal impoverishment of private hospital level medical care. The providers of such private services will be American or European enterprises. The potential to build on cross-class social contracts from the colonial era or to fashion new such contracts within the context of post-communism to build new welfare states will be undermined by the pre-existence of the global market in private social provision. The conditions facing the emerging middle class of many countries in the context of globalization will be fundamentally different form the conditions which had faced earlier middle classes who helped fashion earlier welfare states. The result is predictable. We know that services for the poor are poor services. We know that those developed countries that do not have universal public health provision at all levels and public education provision at all levels are not only more unequal but also more unsafe and crime ridden.

While the global social development lobby are congratulating themselves on shifting the global agenda so that debt relief to reduce poverty and universal access to basic education are now the new orthodoxy they are, for the most part, blind to the threat posed to social equity in both the south and the north by the pincer movement of the World Bank and WTO fashioning a private future for welfare for the global middle class. To put it differently “globalization is
unravelling the social bond” (Devetak and Higgott, 1999) that ensured social justice within countries in the 20th century.

Counteracting this tendency will not be easy. Re-establishing the case for equity in social policy and social development would require major analytical and policy changes. A major shift is needed in the focus of development analysts from a focus on the global poor and their condition to the global rich and their private privileges. The mapping of the emerging global markets in social welfare is an urgent necessity.

It would require a policy of major intra and inter regional public as well as private resource transfers to finance public provision at all levels. It would require a wave of global social regulation to ensure the standards of and accessibility to all (through government subsidy) of globally provided private health, education and social services where they existed in lieu of public provision.

Rethinking equity in social security

For those who manage and defend social security institutions of the European kind within which a large role is often allocated to the state and provision for risk sharing across classes is provided for the trends described above present severe challenges.

First the dominant “socially responsible globalization” consensus with its concern for state provision for the poorest and its facilitation of privatization and individualization for the better off directly challenges the cross class solidarity approach implicit in many social security schemes. The approach is simply not being supported as a strategy to be applied elsewhere. Moreover within the heartland of the European tradition a challenge is posed to the funding base of such schemes. Pay-roll taxes are not the most defensible form of taxation in the context of global competition.

But secondly the need to respond to this dominant approach with one that seeks equity in the context of developing economies is also a challenge to the present scope of social security schemes. How realistic the hope is to extend such provision to the far larger number of uninsured ‘informal’ workers is a contested issue (van Ginneken, 1998). Other approaches, which suggest that support should rather be given to a new universalism from below through a basic income approach, is gaining some support.

This paper does not end with prescription. It is for the Conference to do this. It ends with a challenge. Those who would defend the principles of risk sharing and equitable social security need, in the context of globalization, to return to these first principles and consider how they can be applied in a global era so that equitable socio-economic security is truly available to all. If there is no such rethinking then defenders of existing European-style social security schemes may be perceived from a global standpoint to be part of the problem and not part of the solution as they will be accused of defending in a social protection way the privileged social security of the global beneficiaries of the imperial epoch.

Note: This paper is a shortened and slightly revised version of a much longer paper on a similar theme (Deacon, 2000) published by the UN Research Institute for Social Development (UNRISD) in the context of the Geneva 2000 UN meeting. It derives from policy analysis work undertaken in the context of the Globalism and Social Policy Programme (GASPP) which is an Anglo-Finnish programme based partly in STAKES (National Research and

Bob Deacon
Development Centre for Welfare and Health), Helsinki, Finland, and partly in the University of Sheffield, United Kingdom. The research assistance of Morgan Killick is acknowledged as is the intellectual contribution of other GASPP colleagues.

Bibliography


Bob Deacon