

The Role of Regulatory Interventions and Social Security Schemes to ‘Make Work Pay’ in Combatting Low Pay and Promoting Workers’ and Families’ Welfare: Paper at the XXII World Congress of Labour Law & Social Security *Transformations of Work: Challenges for the Nationals Systems of Labour Law & Social Security*, Turin, Italy, 5th September 2018

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ABSTRACT

One of the significant challenges facing modern social security is the need to support low-paid workers and their family dependants and do so in ways which are responsive to labour market transformations. Low pay and in-work poverty are now a common phenomenon in many of the world’s labour markets. This has been exacerbated by labour market changes that have seen increases in poorly paid and insecure part-time and short-term employment, coupled with systemic under-employment – much of it with a gender dimension. As a result, wage subsidisation through social security programmes - notably in the form of ‘make work pay’ (MWP) schemes in their different forms - has become an increasingly important feature of national social security systems and what the Bachelet Report referred to as ‘social protection floors’ (Bachelet, 2011). MWPs have also been also an important way of advancing one of social security systems’ recognised functions, which is to help sustain aggregate demand and maintain consumer spending (Stiglitz, 2009; Barr, 2012). However, given the scale on which such transformations have become necessary to alleviate ‘dwindling’ and ‘inadequate’ wages in the bottom three deciles of the wage distribution, fiscal costs rise and MWP schemes are under increasing pressure (ILO, 2015).

As this paper will consider, MWP schemes operate in different ways in response to diverse labour market conditions. Typically, however, low pay strategies rely on a combination of regulatory interventions, including national or sectoral minimum wage-setting, in combination with social security schemes, tax-based support, and fiscal transfers. Despite their importance it is far from clear how sustainable such schemes will be in the longer term, particularly those funded out of taxation and borrowing – especially during periods of austerity and in the face of budgetary cutbacks. The paper considers this by reference to the role of the State as both a regulator of labour market conditions and as the most important purveyor of ‘welfare’ (Pissarides, 2014). It goes on to discuss the debates which have been surrounding the work of the ILO’s Global Commission on the Future of Work, particularly on gender inequalities, the impact of new technology and artificial intelligence on work and pay systems, and the role labour law and social security in facilitating work transitions.

The paper highlights some of the newer challenges currently facing a number of European programmes, including France’s Revenu de Solidarité Active and the UK’s Universal Credit, and develops themes in a paper at the XXI World Congress in Capetown (Puttick, 2014).

Introduction

One of the significant challenges facing modern labour law and social security systems is the need to implement and maintain effective regulatory and support systems capable of supporting low-paid workers and other labour market participants and their family dependants – particularly when wages are not delivered at a level needed to secure a minimum income standard. Low pay and in-work poverty are a common phenomenon in many of the world's labour markets, with 'working poverty' ranging between what the International Labour Organisation (ILO) describes as 'extreme' and 'moderate' levels (ILO, 2018a). Traditionally the need for short-term earnings and household income replacement has been met by non-State sources including employers through the short-term maintenance of earnings during periods when earnings are interrupted, or from other sources of 'welfare' such as intra-family transfers and support, or insurance-based programme (Barr, 2012) - but with support from the State and non-contributory forms of social assistance becoming an important element when insurance-based schemes are not available or are inadequate. However, the effectiveness of such State assistance has been affected by a number of factors, particularly the need for widening coverage in the face of significant labour market transformations and the rise in the number of groups requiring support. In 2014 the ILO observed that 'Income security is strongly dependent on the level, distribution and stability of earnings and other income from work...Recent labour market and employment trends have been increasing the pressure on social security systems to ensure income security for persons of working age. These trends include, in particular, higher risks of unemployment, underemployment and informality; increasing prevalence of precarious forms of work; and declining wage shares, dwindling real wages and inadequate wages, leading to persistently high proportions of working poor.' (ILO, 2014: 26).

The growth of 'self-employment' as a form of labour market participation outside the scope of mainstream social security is one facet to low pay, as is the growth in part-time work and employment with only low working hours and intermittent and insecure earnings. Such trends have clearly served to undermine the centrality of work as the primary (and 'best') source of labour market participants' 'welfare'. The challenges are evident even in 'advanced' European economies with traditionally well-developed sectoral and national social insurance and assistance programmes: countries like France which have seen a succession of crises of coverage and problems of fiscal sustainability (Beland and Hansen, 2000), and the UK where the effects of low growth and poor productivity on wage levels have been increasingly evident to policy makers (HM Treasury, 2017). With increasing dependence on non-contributory forms of support funded out of taxation and borrowing come concerns about fiscal sustainability as austerity and fiscal containment measures take their toll on social security budgets.

Because of such trends, wage subsidisation through social security programmes - notably in the form of 'make work pay' (MWP) schemes in their different forms - has become an increasingly important feature of national social security systems. Indeed, this has been the

case since at least 2008 when such schemes started to feature in different countries across the world (Adireksomba and Jinjarak, 2008). At the same time, and partially to ensure that employers can still be expected to take an appropriate responsibility for low pay (and to try to ensure that the State and its welfare agencies do not have to bear a disproportionate share of responsibility for in-work social security), minimum wage interventions remain an essential and complementary factor in MWP's operation. They are set to remain firmly in the State's regulatory tool-box - despite their limitations, compliance and enforcement issues, and their propensity to become a 'going rate' or 'ceiling' rather than encouraging a *minimum* earnings floor. This has certainly been the experience in the UK according to an enquiry led by the founding chairman of the country's Low Pay Commission (Bain Report, 2014).

Minimum wage-setting, whether national, sectoral, or both, is also complemented by equalities measures designed to secure improved wages and conditions outcomes for women and other groups disadvantaged in the labour market – older workers, and disabled and long-term incapacitated, among others – and these play an increasingly important role in raising the wage floor. Such interventions were a feature of many national systems in the post-2007 financial and economic crises, but with countries deploying different strategies to counter the effects of low pay – with some raising minimum wage thresholds and developing newer approaches, and others lowering them in response to concerns that excessive rises could impact on job creation and employment levels (ILO/Bonnet, Saget, 2012). Since then, minimum wage regulation and equalities interventions, coupled with social security measures targeting support on workers and families, continue to feature among the range of support systems now relied on, operating as twin forms of distributive justice within national social protection floors. That complementarity was envisaged by ILO reports and recommendations, including those in Social Protection Floor Recommendation 202 (Bachelet, 2011; ILO, 2012).

Going forward both types of support look set to remain a cornerstone of the many countries' social security regimes in response to current trends and challenges. Among other things the challenges have to address the need for support for those in the informal economy, in part as a result of social security systems' 'empowering' role in facilitating transitions from the informal to the formal economy. This is now seen as a high priority for the ILO's Decent Work agenda. The current view of the ILO, which is expected to be reiterated when the report of the *Global Commission on the Future of Work* is published next year, is that such outcomes can be promoted in 'multiple ways', but primarily through innovations in the use of contributory and non-contributory social security schemes (ILO, 2018).

As the ILO recognises, however, and national schemes' experiences certainly bear out, action is also needed to regulate labour markets more closely in respect of gender-based poor wages, and poor progression opportunities. Action to improve, strengthen and, in some cases, reconstruct distributive mechanisms like collective bargaining – if necessary through newer forms of regulated bargaining (IER, 2016: 7-21) – are also necessary to maintain an effective income floor derived from employment. This will be a key step if the pressure on social security systems from low pay and working poverty is to be contained (Puttick, 2018; 2018a).

A significant cloud on the horizon, as the ILO's *World Social Protection Report 2017–19* has identified, is that countries have been scaling down State schemes in the face of fiscal consolidation or austerity policies. Policies to target resources on the neediest groups has left other sizeable groups - including the 'working poor' - with a reduced social wage: what in the South African social security system is described as the 'social wage packet' (SASSA, 2015). It points out that factors like 'persistent underemployment', the 'prevalence of precarious and informal employment', and 'the rise of working poverty' continue to be major challenges. Key responses, as they rightly note, will need to focus on a combination of regulatory interventions and social protection schemes to ensure adequate income security and decent work, coordinated within effective employment, wage and tax policies (ILO, 2017). Such interventions are not just an exercise in State philanthropy. They are also an important way of advancing several of the social security systems' primary functions, including support for the labour market and employment transitions, and helping to sustain aggregate demand and consumer spending (Stiglitz, 2009).

In the case of MWP, much of the problem is centred on low pay sectors or newer and emerging sectors like the gig economy (ILO, 2018). A key problem, as seen from the experience of low pay in the UK, is that employers – especially in the ten or so low pay sectors of the UK (IPPR, 2016) – have become as dependent on in-work social security systems as a core component of 'wages' as the workers themselves. Worse, regulatory mechanisms like minimum wage schemes are starting to show their limitations. Besides the propensity for a minimum wage to become a 'going rate' or 'ceiling' rather than an indicative minimum rate on which other distributive mechanisms like collective bargaining can build – as previously noted - the system has other negative tendencies, including the phenomenon of 'compression' of wages and wage differentials at the bottom of the wage distribution.

That trend is borne out by the statistics. In 2015 numbers of workers in the UK labour market at the bottom of the wage floor (and receiving maximum support from the State in the form of various benefits directed at supporting wages or meeting household costs) was 6 per cent. That figure is projected to double to at least 15 per cent by 2020, subject to variations geographically and between industrial sectors. In one sector, Accommodation and Food Services nearly half the workforce earns at or near the National Living Wage (Low Pay Britain, 2016: 10).

MWPs and In-Work Social Security

In the bigger picture, in-work social security as a form of secondary 'wage', and MWPs that contribute to that wage, have become an integral component of modern social security. That is also a phenomenon in other parts of Europe, and it has been a feature of European schemes - particularly as the scale of low pay rose after the 2007 financial and economic crises. In France, for example, the need for an earned income supplement element of the *Revenu de Solidarité Active* – a successor scheme to the *Revenu Minimum d'Insertion* (minimum

integration income) – was developed within two years of the onset of the crisis, and in order to ‘combat poverty among people in work’. Rather like the UK’s tax credits regime the RSA provides a bridge between those on out-of-work benefits and those in low-paid jobs, many of whom (as in the UK) gravitate between unemployment and employment in low-paid work. The ‘base’ RSA as it is paid to unemployed workers can be supplemented through income supplements (‘capped’ RSA) when work resumes. Like tax credits, the scheme is means-tested and responsive to income changes: as income rises the State’s support reduces, and vice versa (Bourgeois and Tavan, 2009). The RSA’s focus on means rather than employment status has been another feature. In practice, this can be helpful for workers on the periphery of the labour market who move in and out of short-term jobs, and who depend on continuing State support. In effect the State provides a bridge during periods when such workers are off the pay-roll.

The continuing scale of the challenge of low pay and in-work poverty can be seen in countries like the United Kingdom where it is estimated that the bottom three deciles of the wage distribution - between a fifth to a third of the labour market – is affected in differing degrees by low earnings. That problem is aggravated by an otherwise weak labour law regime which has suffered from successive waves of deregulation, and the absence of even the most basic features needed in a modern system for maintaining basic labour standards such as a labour inspectorate. Most of the workforce that can be characterised as ‘low paid’ is done so on the strength of a ‘core’ definition of gross hourly earnings (excluding overtime) falling below two-thirds of median pay: this puts the ‘low paid’ at 20 per cent of the national workforce (approximately 5 million people). If a ‘needs-based living wage’ definition is used the figure is higher, and closer to 25 per cent (6.2 million people, up from 6 million in 2016) (Resolution Foundation, 2017: 5). When the growing number of low earning ‘self-employed’ labour participants is added to that figure the overall figure for the low-paid is closer to 30 per cent.

Plainly, MWP schemes are an aspect of social security that operate in different ways and in diverse labour market conditions. Typically, they form part of wider low pay strategies that rely on a *combination* of national or sectoral minimum wage interventions, tax-based support, and fiscal transfers. They all have distinctive problems. In the case of the USA’s EITC the system has never really been able to shake off the fundamental design features seen by commentators as problematic with most tax-based systems of support for workers (Alstott, 1995; 2010). In France’s case there are delivery issues similar to those facing the UK’s new Universal Credit, and recently this has prompted moves to centralise aspects of the scheme’s management in order to overcome the apparent inconsistencies of delivery of support between the regions (Guichard, 2016). These have prompted President Macron to initiate major changes to the way the system is administered and paid for. Most MWP schemes share one thing in common, which is funding problems and crises in terms of wavering political support: both considerations cast doubt on their long-term capacity to deliver effective social protection. This has been evident in comparisons between the USA’s, France’s, New Zealand’s, and the UK’s systems (Cousins, 2014).

Typically, however, most countries' low pay strategies rely on a *combination* of national or sectoral minimum wage interventions, tax-based support, and fiscal transfers.

Despite their importance it is far from clear how sustainable MWP schemes can be in the longer term, particularly during periods of austerity and in the face of budgetary cutbacks - at least without a significant re-alignment of the respective responsibilities of the four main stakeholders: the State, given its role as both regulator of labour market conditions and purveyor of 'welfare' funded out of taxation and borrowing; employers as purveyors of wages at the private law level; and unions, given the pivotal role they play in collective bargaining processes; and workers themselves.

The rest of this paper revisits some specific issues against a back-drop of some key challenges, including those identified by the ILO's *The Global Commission on the Future of Work* (ILO, 2018). These include, particularly, the links between low pay and factors like gender inequalities; work and earnings inequalities associated with newer forms of working in sectors like the 'gig' economy (also sometimes referred to as the 'platform' economy); and the need for labour law and social security systems to anticipate and manage work transitions more effectively – particularly in ways that can cushion workers and their families from the worst effects of changes. Typically, such transitions take the form of breaks from employment to start families, or to make necessary career transitions. They may also be prompted by illness or disability, or upheavals due to new technologies and workplace closures and relocations. In all these respects social security systems, including in-work schemes, have a facilitating or 'enabling' role. These points develop themes in the speaker's keynote paper at the XI European Congress of Labour Law and Social Security in Dublin in 2012 (Puttick, 2012) and paper at the XII World Congress in Capetown (Puttick, 2014). These have been revisited more recently in papers on low pay, conditionality and 'in-work progression' in UK publications (Puttick, 2018; 2018a). They are considered, further, by reference to developments and published interim 'briefs' as the ILO Global Commission's work proceeds.

They consider, among other things, changes needed to the mechanisms for tackling low pay, including the need in flexible labour markets for social security systems to be more 'responsive', and in ways that make more effective use of IT systems that can assess and deliver support in real time. They are also directed, in large measure, at raising expectations of what individuals themselves can be expected to do in terms of improving their employment prospects and taking up employment that reduces their dependency on the State. At the same time, such re-engineering of social security is bringing with it a raft of new controversies and a need to engage more carefully with basic human rights – particularly when the State starts to intrude in work relations between the worker and employer, and makes demands, in terms of take-up of new and more valuable employment that may not easily with family rights and right to make life-style choices.

At the outset, consideration is given to some key current trends identified by the ILO. These include aspects like gender facets to low pay, inequalities in the emerging gig and 'platform'

sectors of the labour market, and the ability of regulatory interventions and social security regimes to help transitions in the face of technological change and automation. These aspects of modern social security have been identified in the ILO's current project, *The Global Commission on the Future of Work* (ILO, 2018). It is worth looking at them more closely.

The Context

As the ILO has observed, despite significant progress being made in the extension of social protection in many parts of the world – helped by the highly influential work done by the ILO's Advisory Group chaired by Michelle Bachelet on the construction of social protection floors (Bachelet, 2011) - the idea of social security remains elusive for a majority of the world's population, and still less so as a *right*. Over half the world's population – an estimated 4 billion people – are outside any kind of State support or 'protection'. Less than a third of the global population could be said to receive 'comprehensive' social security, including a full range of benefits, encompassing child as well as older citizen, age-related benefits and pensions. Yet progress has been made, not least in the adoption of Sustainable Development Goals (SDGs) at the United Nations General Assembly in 2015 – a significant development that reflects a commitment to implement social protection systems for all, including measures to reduce and prevent poverty. This undoubtedly builds on the invaluable measures outlined in the ILO's Social Protection Floors Recommendation No. 202, adopted in 2012 by governments and workers' and employers' organizations. Whilst there has been progress in terms of the recognition of the increasing problems posed by in-work poverty – much of it linked to aspects like low hours, and the lack of income deriving from atypical work - it is far from clear that governments have started to respond in co-ordinated and effective ways to the challenges.

Nevertheless, the structure is firmly in place for international standard-setting and for national and regional initiatives to build upon. Among the ten substantive elements corresponding to the four strategic pillars of the Decent Work Agenda is the need for a renewed focus on measures to generate full and productive employment. Linked to that is the need for adequate earnings. Ideally, such income needs to derive from a job as the major source of a citizen's welfare. That necessitates secure standards to be put in place by national systems around productive work, decent working time, stability and security of work, and effective social security as a safety-net. The reality, however, is that it is increasingly to the State, and State support, that people are increasingly having to look for support when the labour market and other sources are not delivering (Pissarides, 2014).

Work done in Europe, particularly by Eurofound, has highlighted the importance of the regulation of hours in the attainment of minimum employment standards, including decent pay. Needless to say, variable hours are problematic. The UK has been experiencing this with the way contract models like 'zero hours contracts' are playing havoc with both labour law and social security systems (Adams and Deakin, 2014). Arguably hours and the level of engagement with the labour market are as important a determinant of workers' overall pay

and conditions as wage systems and other factors. Low hours, and *variable* hours – increasingly a feature of flexible working norms – are a major contributory factor in workers’ low earnings and household income shortfalls. Given the impact this has on both workers’ and families’ welfare, this remains a major challenge for social security systems. It has also given them a new, and difficult role.

In the bigger picture social security systems can and do play an increasingly important role in closing the deficit between ‘standard’ work and atypical work. However, support for those in low-paid, irregular and often casualised work, whilst being characterised as atypical (Eurofound, 2017), may in some jurisdictions like the UK, where flexibility in matters of availability for work and ‘hours’ is increasingly unregulated, it is increasingly *typical*.

ILO Global Commission on the Future of Work

The International Labour Organisation is currently undertaking a very welcome - in many ways long overdue – review of the workplace and key issues and challenges facing workers, employers, and other stakeholders. It has singled out what it is calling the ‘mega drivers of change’ including technology, demography, and globalization for consideration. It has also been looking closely at the changing role of women in the workforce, the relationships between poverty, inequality and informality in the world of work, and other ‘global’ sources of impact. The Commission’s report, when ready, will be submitted to the ILO’s Centenary International Labour Conference in 2019. Since the Commission’s meetings earlier this year (in February 201) the focus has been on six themes covering specific aspects of the world of work. These include the role of work for individuals and society, the need to end women’s pervasive global inequality in the world of work, and the importance of managing inequalities in sectors like the platform economy and cushioning the impacts of life transformations (and typically as a result of family life changes, and new technology impacts).

Looking forward, the Commissioners agreed that a series of technical outreach meetings should be organized to explore issues requiring further analysis. A number of ‘thematic clusters’ have been the focus of attention and have resulted in informative ‘briefs’ on issues that need to be considered by the Commission ‘if the future of work is to be one that provides security, equality’.

Interestingly, some of the key issues identified by the Commission map on closely to concerns of policy makers and commentators on national systems and the current limitations and short-comings of policies to tackle low pay and vulnerable work.

What follows is some consideration of those concerns, and the links with debates about the evolving role of Make Work Pay schemes in national social security regimes.

Gender Inequalities & Low Pay

In the Commission's view the world of work is still deeply affected by pervasive gender inequality. As a result, despite women's increasing labour market participation rates – indeed in some countries in Europe, including the UK, they are now the majority of the workforce - women are still significantly disadvantaged in the labour market in terms of wages, conditions, and progression opportunities. As the ILO notes, a sizeable proportion of the female global workforce earn their livelihood in the informal economy - either as 'dependent' wage earners or as self-employed players where much of the available employment is both 'vulnerable and low-paid' (ILO, 2018b). The answer to such challenges, to date, has been to look at ways of facilitating the transition from the informal to the formal economy. Three years ago, this was formally set out in the ILO's 'transition' recommendations in 2015 (ILO, 2015b). The rationale is that women workers in the informal economy are confronted by a range of constraints which prevent them from accessing decent paid work – not least due to the pressures of taking on much of the unpaid childcare and domestic work in their family settings. Empowerment measures may assist in dealing with such norms and discriminatory experiences; and that includes legislative interventions to ensure that measures like paternity leave as well as maternity leave, coupled with support through the social security system, are in place. However, the impact of such interventions and support may be limited in practice as a UK Overseas Development Institute report indicates (Hunt and Samman, 2016).

The ILO is quick to point out that measures like minimum wage interventions can be important as they reach women in informal employment and serve to raise the incomes of those working in low-pay sectors. That may be so at a formal level, but this also dependent on the effectiveness of compliance and enforcement measures. The thinking behind the ILO's 'transition' approaches is that low pay and poor employment conditions characterise informal labour markets. However, it is also very evident - across both developed and less developed systems – that low pay is *also* a challenge in the so-called formal economy. Furthermore, it is possible to lose sight of the reality that there are some features of low pay that produce a range of further problems affecting working conditions. Those conditions generate costs and on-costs to the community, whether the problems occur in formal or informal sectors – not least when the community assumes responsibility for such costs without putting place regulatory measures to try to address the problem at source.

One such challenge is that it is often difficult for women in low pay sectors and employment to 'escape' low pay traps, progress to better work, and thereby reduce their dependency on social security support. Indeed, the cumulative effects of low income and lack of progression opportunities serves to reinforce low pay traps (Costa Dias, 2016): factors which underline the growing importance of progression as a low pay strategy (Puttick, 2018).

Whilst social security systems can play a key role in relieving the impact of in-work poverty for groups like single parent workers, remedial action is also needed on the *labour* side of the labour-social security interface. Equalities laws, including a more proactive approach to facilitating equal pay claims when female workers' work compares unfavourably with that of

men in similar positions, is a further approach that needs to be addressed. The UK is currently going through a series of high profile test cases involving actions by some of the lowest-paid workers in the country, employed in one of the UK's ten low pay sectors, Retail, against their employers. That sector includes some of the wealthiest corporations in the world. Given that the community provides a hefty subsidy for such workers through the in-work social security system, ie tax credits and Universal Credit as may be imagined there is considerable interest in the outcome to such actions. Such actions are currently confined to directly employed staff. They do not, in the main, assist low paid groups in the complex supply chains that operate in the sector.

In many ways the reliance of workers on State support is testament to the failings of redistributive mechanisms like minimum wage legislation, equalities interventions, and collective bargaining. For that reason, it is has become necessary for the UK, like other countries (the Republic of Ireland being one) to consider newer approaches to raising the wage floor, and the reintroduction of newer forms of regulated sectoral wage-setting and bargaining, which map more closely and efficiently on to what employers can afford (Puttick, 2018a). Currently schemes that simply set a minimum wage rate provide only a very blunt instrument for securing equitable pay outcomes, and in practice do very little to address challenges like the gender pay gap.

Understandably, organisations like the UK's Institute of Employment Rights have called for the reintroduction of new approaches to regulated sectoral bargaining (IER, 2016; Ewing and Hendy, 2017). This has also become an important objective for organisations representing unions like the Trade Union Congress (O'Grady, 2013).

Job Quality in the 'Gig' Economy

As the ILO has pointed out, whilst the revolution in social media has had a lot of positive effects, including the creation of new opportunities for entrepreneurial activities and employment opportunities through crowd-working, there are casualties. Not least is the considerable uncertainty on aspects of employment status, low earnings as newer forms of flexible working and intermittent, unpredictable hours evolve, and difficulties are experienced by participants in such work in securing basic rights to payment (Nickerson, 2014; and De Stefano, 2016; TUC, 2017).

Much of the challenge relates to status, and the inability of those classed as 'self-employed' to assert rights normally reserved to employees rather than as 'contractors'. Among other problems is the uncertainty as to whether distributive mechanisms like national minimum wage and maximum working time rights are even engaged. Whilst 'worker' status, like 'employee' status, will suffice self-employed status will not; and to that extent the reality on the bears little resemblance to provisions made by Europe-wide measures like the Working Time Directive. This has produced a busy battle-ground between groups like Uber taxi-drivers, Hermes delivery drivers, and those who control them but who may not necessarily 'employ' them in the traditional ways envisaged by regulatory legislation. In the UK, as in other EU

countries and North America, the response has been to investigate alternative forms of employment status including those that straddle the two options. Much of the problem, essentially, is around the language and terms used to describe what is happening as the gig economy evolves. As Valerio De Stefano has commented, too often the work being undertaken in the gig economy is being concealed behind 'convenient catch-words like 'gigs', 'tasks', 'favors', and with labels attached to workers like 'taskers' – indeed any kind of term but 'work', 'labor', or 'worker' (De Stefano, 2016: 462).

At the same time, to *promote* such atypical working as a means of growing market participation and retention, the UK government has extended in-work social security to such groups and to the self-employed: albeit with some significant problems in adapting social security schemes to achieve this. The primary purpose is to enable gaps in income between gig assignments, and in weeks when earnings are low, to be filled by State income transfers. The modifications made to schemes like the UK's Universal Credit 'top up' payments offer what, on the face of it, is a solution. The problem, however, is that such schemes have been seen to encourage a proliferation of low hours, low income 'mini jobs' which then have to be subsidised by the State to be sustainable. In other words, the solution has become as big as the problem itself. Such was the finding of a Parliamentary enquiry into the issues this has generated. That enquiry concluded, among other things, that there was a clear link between such small-scale labour market activity and poor pay progression, limited career prospects, and job insecurity (not helped by the gaps and income problems people experience between jobs) (UK Commons Enquiry, 2016: 5).

Where are such innovations taking us? Arguably, a whole new dependency culture is being constructed through such support, while at the same time there is a failure to tackle fundamental weaknesses in the legal regulatory framework and redistributive mechanisms like collective bargaining (Puttick, 2018; 2018a). To try to contain the escalating costs of such subsidisation of the self-employed, the government has recently sought to restrict the support afforded to 'self-employed' labour participants. More precisely, fiscal transfers to eligible claimants operates through so-called 'minimum income floor' (MIF) provisions which restrict the level of support whilst recognising a legal right to take-up (ostensibly on 'comparable' terms to those applied to employed claimants). The MIF provisions presume that self-employed UC claimants are earning at the level of their 'individual threshold' – essentially an earnings target that is comparable to the conditionality earnings threshold set for employed claimants in attempts to reduce social security dependency of those in low paid, subsidised work - even when they may, in reality, have considerably less income than their MIF threshold indicates. Their State 'wage' is therefore potentially far less than that of an employer person, but with no obvious rationale other than the need to contain escalating fiscal costs of State support for the labour market. Recent reports and research has estimated that around a fifth of families with a person in self-employment are currently supported by either tax credits or UC, and nearly 40% have income that is below the MIF 'floor' (Broughton and Richards, 2016).

These are just among the wide range of issues at the interface between developments in the gig economy and other informal sectors and social security.

A further challenge, and one that is not entirely separate from the issues already considered, relates to labour market participants' 'transitioning' away from work, either temporarily or over longer periods, and the need to do this in a secure way – aided by security nets provided by social security systems. Are current workplace and State systems up to the challenges now being presented to labour market participants and their families?

Insecure Transitions & Social Security

The ILO Global Commission has observed how 'As the world of work undergoes profound and extensive changes, the effectiveness of future labour market institutions will depend on how they facilitate the myriad transitions and cushion the risks that workers will experience throughout their working lives' (ILO, 2018).

Such transitions may result from a raft of possible causes, including, at a personal level, family changes, illness, or simply changing jobs (or balancing work and family responsibilities – typically when taking on new carer or parental roles. However, they may also result from the reduction in available work and so-called 'technological unemployment', and reorganizational redundancy. The impacts can extend to the wider community, of course, which is why the community has a vested interest in ensuring that modern social security systems are fit for purpose, and only take on a fair and proportional share of the responsibility for low pay. As the ILO rightly points out there is a need to design labour market systems to address the diverse personal, individual shocks that workers face throughout their working lives. That means, among other things, adapting social security systems to be able to meet such transformations – at whatever level they occur – individual, familial, collective, and societal.

In the UK family welfare measures were identified in 2006 in the Work and Families Act, with the introduction of regulatory schemes like the right to apply for (and get) flexible working arrangements couple with a range of new benefits that enable the State to support, in modest ways, paternity, adoption, caring, and other roles. Comparable family-related support schemes designed to facilitate support and provide cushioning in the form of financial support and labour interventions to assist parents and carers operate in other countries. Holland, for example, legislated in 2016 in the Flexible Working Hours Act to make further improvements to the work-life balance of Dutch employees. Previously they could only request an amendment to their contractual working hours, ie an increase or reduction in working time. Following a massive take-up of flexible working rights under earlier schemes, post-2016 legislation ensures that employees' rights are wider-ranging, and extend to arrangements to facilitate changes in work location (to fit in, for example, to partners' needs when they move job). Employers are generally expected to agree to reasonable requests unless there is a substantial business reason that could justify a refusal.

Except for salary, surveys undertaken by the Dutch Intelligence Group suggest that flexible working hours, and the opportunity to take up flexible work options, were seen by the public as the most important employment condition for Netherlands workers – even before the changes in 2016 (Pieters, 2015).

For workers on low pay, or subsistence level pay, who need to reduce their hours – the most common form of ‘flexible working’, as in the UK – the Dutch social security system plays a pivotal role, of course. Without such support pay levels from a reduction in hours would make the employment increasingly less sustainable.

Going forward, it will be interesting to see how far the Global Commission goes in proposing yet bolder initiatives, and perhaps proposing new variants on Decent Work standards to recognise such progress. Other innovative schemes that will need to be taken on board include France’s ‘personal training account’ which, by 2017, became a ‘personal activity account. Similar innovative schemes have been pioneered in the Nordic countries, assisted in differing degrees by State social security and enterprise-level programmes.

Conclusions

As this paper has suggested, much needs to be done on both sides of the Labour-Social Security interface, where increasing numbers of workers – particularly those in low paid and atypical work – depend increasingly on the State as both a regulator and provider. National systems of support will depend, increasingly, on improved regulatory interventions to secure the conditions for regulated collective bargaining, as well as producing newer and more responsive schemes of ‘social security’. More effective forms of distributive justice – nationally, sectorally, and at the workplace – will assist in reducing dependency on State systems of support. In many countries Social Security, including MWP schemes, have come under increased fiscal pressure in the face of austerity measures.

Whilst much of the focus will be on establishing an appropriate balance between the key stakeholders – employers, labour market participants, and the community that is funding collective insurance - some of the newer directions being charted by the ILO’s Global Commission are also an space to be watched!

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