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## **The New Politics of Crisis Management: Global Voices on the Role of Social Policies**

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## **The New Politics of Crisis Management: Global voices on the role of social policies**

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### **Introduction**

There are various factors affecting the development of social policy and welfare state arrangements at the national level. To changing societal structures and risks emerging within a (national) context come transnational factors that build a context to, have an impact on, and provoke national adjustments and reforms. Global economic crises are not only an ‘external shock’ for national institutions but they are also followed and accompanied by global social policies in terms of prescriptions on how to manage the crisis and what to do with or about social policies.

Looking back at the recession of the 1990s that, at least for OECD countries, marked a similar shock to the one we have seen since 2008, the implications for crisis management in the field of social policy seem to be obvious: retrenchment as the order of the day. However, is that really the only way to go? Examples like the UK or Greece seem to suggest that, but have we not also learned that welfare states may be important automatic stabilisers in times of crisis?

This paper takes a global social policy perspective in discussing the reaction by global social policy actors to the global and financial crisis. It first reviews the ‘global social policy climate’ in terms of the dominant ideas and discourses regarding social policy reform following the crisis. The argument developed here is that— contrary to common knowledge or perception – not even international financial institutions have explicitly expressed the view that there were only one answer to the crisis, namely austerity. However, while there has been a remarkable focus on social policy in the first few years following the crisis, apart from a continued concern about how to increase employment levels, in the meantime, it has become more quiet around this issue.

### **Global Economic Crisis and Social Policy**

Global economic crises are shocks to the world economy that lead to a sudden deterioration of key economic indicators in a great number of countries (such as GDP growth and unemployment levels). This implies that a high number of countries are affected in *similar* ways, challenging existing beliefs and institutions in their effectiveness to deal with social and economic problems. Boin and ‘t Hart (2006:43) define three key components to a crisis: threat, uncertainty and urgency. The unexpected shock and its wide-ranging consequences unsettle societies and their decision-makers, and call for quick and decisive reaction. This is in contrast to more gradually evolving social problems such as changing demographics or labour market structures. Sudden shocks commonly provoke a sense of an urgent need of reform measures. At the same time, there is not a straightforward way of dealing with crisis, and limited scope to develop and discuss different reform options – uncertainty plays an important role in policy processes following crises. Nevertheless, times of crises have also been used as windows of opportunity to push pre-crisis reform plans.

For the field of social policy, some have stated that crisis is followed by sudden and fundamental, often neoliberal policy reform (Farnsworth & Irving, 2011); while others argued that “[p]ath breaking change in social policy connected to an external shock does not appear to be the common reaction” (Van Hooren, Kaasch, & Starke, forthcoming). At the same time, global economic crises also limit the scope for external, mutual stabilisation, because many countries are affected simultaneously, and given uncertainty and urgency induced by the crisis situation, increased interest in policy learning is likely. Furthermore, welfare states can be regarded as the problem, as in crisis themselves, or as important mechanism of autonomic stabilisation in times of crisis. The simultaneous crisis experience, as well as the urgency to react – apart from transnational social problems – open a space for an important role of global social policy advice on how to best manage such a crisis, and what to do with social policies as part of it. Such global social policy (crisis) prescriptions may come in the form of analysis, solutions, and potential prevention of global economic crises, and the global discourse around them forms a context to which national political debate may relate. (The extent to which transnational processes of redistribution or attempts for global regulation, such as global taxation come in, goes beyond the scope of this paper).

### **Quick Reaction, Welfare State Protection?**

The financial crisis of 2008 consists of a succession of crisis phases that started with the housing crisis in the US and was followed by a worldwide credit crisis, a recession, and the European sovereign debt crisis from 2010 onwards (Starke, Kaasch, & van Hooren, 2013). For many countries that also meant quickly rising levels of unemployment, as well as pension funds coming under pressure, followed by all kinds of connected social problems and needs.

Quite a number of international organisations relatively quickly offered evaluations and advice on how to deal with the crisis at transnational and national policy levels, and social policy formed an important element in these prescriptions. The OECD, the ILO, and the World Bank all were keen to demonstrate their legitimate role and function in transnational crisis management. The OECD and ILO have been explicitly mandated to assessing the unemployment crisis and providing prescriptions. In addition, major international groups and fora dealt with the crisis, and consider the benefit of social policies, such as the G20, and the World Economic Forum. In this context, the ILO was key in promoting its concept of a global social protection floor and forming an ever-broader advocacy coalition around it including numerous major global players.

The UN social agencies (ILO, WHO) quickly warned not to make the same mistakes as in previous crises by cutting back health and education services, social protection, and by deregulating labour markets. Instead they called for expansionary social policy measures (Chan, 2008; ILO, 2008b). The ILO presented a comprehensive ‘global policy package to address the global crisis’ (ILO, 2008a), containing a combination of financial sector stabilisation, macroeconomic stimulus, and a strengthening of welfare systems and workers’ rights. At the International Labour Conference in 2009, the ILO developed the concept of a ‘Global Jobs Pact’, and started to lead the ‘Social Protection

Floor Initiative'. The Global Jobs Pact, within the overall framework of the ILO's Decent Work Agenda, included social protection measures such as safeguarding existing jobs through shorter working hours, partial unemployment benefits, training and enhanced social protection. It also measured to protect the unemployed through minimum unemployment benefits, employment guarantees and ALMPs (ILO, 2009; ILO & International Institute for Labour Studies, 2009). The Social Protection Floor Initiative focused on ensuring access to basic social services, and protecting the poor and vulnerable. Both were primarily focused on developing countries, and signalled an international climate of considering public services and transfers for crisis management. Social policy was also debated at major international events. Experts from G20 countries came together in March 2009 for the 'London Jobs Conference' to share best practice about employment policy, and called for employment policies to become a key element of national crisis responses. The experts proposed ALMPs, and social protection policies to support the disadvantaged and vulnerable groups, including short and long-term measures (G20, 2009), which fed into the G20 Summit in London in April 2009. Thus, according to Deacon, '[i]n terms of the first coordinated world response to the crisis, it fell not to the UN, not to the [World] Bank, not to the IMF but to the first ever meeting of the G20 [...] to fashion global policy on the hoof' (2011: 89). In addition, at around the same time, the G8 Social Summit of Labour Ministers was convened in Rome. A 'Global Welfare Pact' emerged from the event, which contained arguments in favour of strategies that would combine economic and welfare measures, and improve social welfare systems (G8, 2009).

In September 2009, the IMF and OECD also addressed the evolving employment crisis (e.g. IMF, 2009). The OECD Employment Outlook 2009 suggested adequate income support to the unemployed (OECD, 2009a). Another publication that detailed potential social policy measures was the OECD's Employment Outlook 2010 (OECD, 2010) which argued that extensions in unemployment benefits should be maintained, at least in places where they are generally rather low, and that activation strategies should be adapted for different stages of the crisis. Later in 2010, the ILO issued a number of reports that further developed its prescriptions for labour market and social policies, such as the World Social Security Report 2010/11 (ILO, 2010b), and the Global Wage Report 2011 (ILO, 2010a).

Throughout 2011, the ILO warned that 'a narrow focus on reducing deficits without addressing the challenge of job creation will further weaken employment prospects and threaten the recovery' (ILO, 2011a: xii; see also ILO, 2011b). The OECD, in contrast, began to communicate a more mixed message. 'Government at a Glance 2011' (OECD, 2011) stated that reductions in public expenditure were necessary; and a paper by OECD-staff (Immervoll & Llana-Nozal, 2011) did not seriously question the need for cuts in social policies.

Apart from the evolving jobs crisis, concerns about the sustainability of pension systems also began to arise. The belief in three-pillar pension systems, and the privatisation of significant parts of pensions systems, advocated by the World Bank since the 1990s (Orenstein, 2005; World Bank, 1994), was shaken. Both the World Bank and the OECD warned about a hasty re-reform of pension systems (see also Antolín & Stewart, 2009; Holzmann, Robalino, & Takayama, 2009), and also began to stress the importance of non-contributory social pensions and the need to improve existing systems by 'making

funding regulations more counter-cyclical, providing appropriate investment choices and defaults in defined contribution plans, raising financial literacy levels, and establishing a modern risk-based supervisory framework' (OECD, 2009c: 3).

On health, the report of a WHO high-level consultation showed attempts to balance different perspectives on appropriate foci in the health sector, but there was a common stress on the need for counter-cyclical public spending (WHO, 2009: section 29). Also, with regard to health systems, the OECD's Health Update warned against cuts in health expenditure: 'even from a macroeconomic viewpoint: during the downturn, health expenditure plays the role of an 'automatic stabiliser' holding up aggregate demand' (OECD, 2009b: 1).

From 2010 onwards, the concern about the appropriateness of austerity in the field of social policy was debated. This was fuelled by the austerity packages implemented in countries such as Greece which became increasingly dependent on the support of the international community, including the IMF and the EU. Deacon (2011: 96-8) illustrates the mismatch between what the IMF is officially claiming and how it influences countries in their responses to the crisis. It is difficult to find clear evidence for a strong anti-welfare position in terms of an explicit global discourse, however. Nevertheless, it can be observed that countries under IMF programmes employ austerity strategies in their responses to the crisis. As a consequence, social scientists in the UK, for example, have uttered great concerns over these cutbacks in social policy, and have tried to raise public support for the welfare state by issuing a manifesto entitled 'In Defence of Welfare: The Impacts of the Spending Review' (Yeates, Haux, Jawad, & Kilkey, 2011). A similar initiative was launched in Italy.

Even the World Economic Forum in 2010 expressed concerns about 'the risk that 2010 becomes the year of the social crisis following the financial crisis of 2008 and the economic crisis of 2009', and reflected on 'new metrics [...] needed that integrate social goals and values'. The related 'Global Competitiveness Report' (World Economic Forum, 2010) stressed that significant cutbacks in health and education were to be avoided, even if governments had to limit spending.

Later on, and despite some moves to austerity, more perhaps in practice than in terms of discourse, the Advisory Group to the Social Protection Floor Initiative, headed by Michelle Bachelet, released its report (Bachelet, 2011). The report called social protection a 'win-win' investment that pays off both in the short term, given its effects as macroeconomic stabilizer, and in the long term, due to the impact on human development and productivity', and presented policies and programmes to realise the social protection floor framework; thus it contained a strong call for expansive social policy even in times of crisis. These ideas were also reflected at the G20 meeting in Cannes in autumn 2011. The G20 Labour and Employment Ministers' Conclusions (G20, 2011) stated that 'decent work should be at the heart of strong, sustainable and balanced growth', and affirmed its commitment to strengthening social protection systems. Social protection floors are included as:

*'[An] investment in social justice, stability, economic and labour market development. The benefits of social protection – social security and labour protection – are widely recognised. It increases the health and welfare of the population and consolidates social cohesion. Effective social protection systems contribute to building resilience to economic shocks and mitigating*

*the impact of crises, and help to rebalance long term growth. We recognize that social protection systems have played an important role as automatic stabilisers in times of crisis and natural disasters. Linking social protection to employment through active labour market policies is key to inclusive growth' (G20, 2011: section 12).*

The concern about premature austerity policies was still evident in the reports at the beginning of 2012. For example, the UN's 'World Economic Situation and Prospects 2012' (UN, 2012) called for more short-term fiscal stimulus; and the message of 'Be Outraged' was that "austerity is bad economics, bad arithmetic, and ignores the lessons of history" (Jolly et al., 2012: 1). Meanwhile, UNRISD started to ask about the crisis' potential to move away from the doctrines and policies that reinforced inequality and vulnerability; new directions in social policy; and social forces and political coalitions supportive of transformative change. Also, Isabel Ortiz and Matthew Cummin's 'The Age of Austerity' (2013) that discusses the threats of austerity to development goals and social progress; and calls for urgent action by governments to adopt alternative and equitable policies for socio-economic recovery. As a global instrument to approach the problem, the UN Human Rights Council's Briefing Note: 'Underwriting the Poor: A Global Fund for Social Protection' suggested: "the creation of a Global Fund for Social Protection (GFSP), to provide States the financial support needed to make social protection viable".

Overall, however, the discourse on the value, of social policy become 'quieter', and the focus increasingly remained with unemployment only. Job creation was a key topic at the High-Level Thematic Debate on the 'State of the world economy and finance in 2012' (17 -18 May 2012, New York), and of a number of publications, such as 'Confronting Finance. Mobilizing the 99% for Economic and Social Progress' by the ILO (Pons-Vignon & Ncube, 2012), the ILO's 'Global Employment Trends 2012 – preventing a deeper jobs crisis'; and IMF working papers on labour market and unemployment. EOCOSOC dedicated its 2012 Annual Ministerial Meeting (AMR) to 'more and better jobs for young people'.

## Concluding remarks

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