

Jörn Janssen:

Social Security or a Wage for Working Life

A review essay.

This essay is a review of a number of publications and initiatives of Thinknet (Denknetz) in the field of social security:

- Ruth Gurny und Beat Ringger: *Die grosse Reform: Die Schaffung einer Allgemeinen Erwerbsversicherung*, AEV. edition 8, Zürich 2009.
(The Great Reform, Setting up a General Occupational Insurance)
- Ruth Gurny and Andreas Rieger: *Altern und Alter*. In Denknetz Jahrbuch 2006, pp. 20-30. (Aging and Old Age)
- Denknetz Fachgruppe Politische Ökonomie: *Sicherung der Altersvorsorge: Modellvorschlag für eine Totalrevision*. In Denknetz Jahrbuch 2009, pp. 56-82.
(Safeguarding Provisions for Old Age: model-proposal for a total revision)
- *Renaissance der Volkspension*, Thementisch 18. November 2009 in Zürich.
(Renaissance of the Public Pension, Round Table)

How can these initiatives adequately be honoured? How do we approach social security and pensions as integral parts of the wage? These are daunting questions to someone who regards wage relations as the essence of social dynamic. Yet social security is an emergency issue and, relative to its social and political bearing, irresponsibly neglected. All the many deficiencies in social security systems across Europe cannot forever be treated with little adjustments and amendments. Nor can bilateral agreements permanently replace transnational regulations for a transnational labour market. This much on the background of the following modest attempt to promote the subject under the guise of a review essay – essay in the original sense of the word, a try. A try to supersede social security through a wage for working life.

What is dubbed the ‘European Model’ of wage relations is rooted in medieval poor relief as a necessary concomitant to wage labour, taking account of the temporary nature of employment. In the course of the twentieth century social security, health insurance, and old age pensions have gradually been built up in various ways in different countries either as wage components or as state benefits and services amounting to the value of the gross rate of wages and more. They cover times of non-employment – e.g. for holidays, sickness, education, old age, disability, and unemployment – as well as unpredictable costs for health care. As these components were introduced piecemeal differently in every individual country they form a variety of patchworks and, therefore, the principal obstacle to transnational wage coordination within an open economic community boasting ‘the free movement of workers’. Objectively reform is overdue.

Ruth Gurny and Beat Ringger offer ‘Die grosse Reform’ through ‘a general occupational insurance’ (AEV). Beat Ringger and Hans Baumann, also member of Thinknet, have summarised the proposal¹:

- Instead of the existing range of single insurances a comprehensive ‘social insurance’ will be set up which guarantees subsistence during the period of working life for all inhabitants of Switzerland.
- Those, who cannot take on or are not offered any acceptable and sufficiently paid employment because of sickness, accident, unemployment, civil or military

¹ Ringger/Baumann: Presstext und Buchbesprechung, November 2009.

service, maternity or participation in childcare, are secured through daily allowances from AEV amounting to 80% of their previous wage. Those who are permanently unable to be gainfully employed are entitled to a pension at the level of the daily allowances. The allowances have an upper limit. In cases of accidents and sickness the existing level of pay will be maintained through employers' supplement. Thus the present gap in daily sick-allowance will be covered.

- The AEV is based on the concept of mutuality. It combines the duty to work with the right to 'decent work', that is the right to decent work in the sense of the International Labour Organisation. The pressure on unemployed to have to accept any even most precarious employment – involving all these fateful human, socio-political and economical consequences – will thus be lifted.
- A temporally unlimited claim will exist for people who have been resident in Switzerland for 5 years at least. For citizens of the European Union or the European Free Trade Association claims depend on bilateral agreements with the European Union.
- Two more large gaps in the network of social security will be covered through the unrestricted inclusion of self-employed and through the introduction of supplementary AEV family allowances (AEV-Familienergänzungsleistungen).
- Social benefit will be integrated into AEV and be based on a unified basis for the whole of Switzerland. Social benefit will be relieved from absorbing structural poverty problems. Instead it will resume its original objective to support people in situations of need.

As a separate issue Ruth Gurny and Andreas Rieger have presented a programme for "Aging and Old Age" which dismisses the traditional concept of a retirement age. Andreas Rieger has summed up the strategy of his concept in a paper dating back to 2004 (denknetz-online.ch, Sozialpolitik/Altern und Alter) in three theses:

- Paid employment in the early stages of old age up to at least 60 years of age is supported. In this regard the objective is full employment. This prevents the driving out of the aging, strengthens the economy and averts overburdening social insurance.
- Between the age of 60 and 65 there is a right to a step-by-step retirement, which can be used without loss of income in particular by those who had to been permanently in paid or charitable employment, that is having contributed over 40 years.
- From the age of 65 there is a legal right for all to receive a pension. This is the right to retirement for all and the option of 'activirement' ("Aktiv-Stand") for all those who would like to. 'Activirement' is publicly supported by positive incentives, whilst the continuation of paid employment should not be materially attractive.

In the recent article 'Safeguarding Provisions for Old Age' a Thinknet team argues that the 'second column' (implicitly of course the third as well), based on private insurance contributions, ought to be scrapped in favour of upgrading the pay-as-you-go pension fund system (Alters- und Hinterlassenenversicherung). In the long run this would be more cost effective in terms of transaction costs, yield safe returns on contributions, be more social, and finish stimulating financial crises.

Both programmes will be discussed at a 'Round-Table' ("Thementisch") on 18 November 2009 in Zurich. It is to be expected that this event will produce further ideas and publications.

For somebody not familiar with the Swiss social security and pension systems it is difficult to assess the detailed proposals transforming existing structures. But it is obvious that a reform along these lines would be a seven-league step forward in any EU country. Nevertheless, in the light of an historical Pan-European perspective, as outlined above, three reservations can hardly be held back:

First: If we conceive wages for working life and working life as open ended, why is old age treated qualitatively different from other phases of non-employment. In particular, if its funds are raised through the payment of labour - rather than taxation -, pensions could well be integrated in a general social security system, as long as this remains systematically separated from wage earning.

Secondly: We have raised the issue of the wage earner as a permanent status independent from a contract of employment.² Bernard Friot has been arguing for years that the status of 'salarie' should be dissociated from actual employment.³ If we accept that working life is not defined exclusively by subordination under an employer, social security benefit ceases to be a separate form of pay but turns into an integral part of the wage to be claimed by all workers according to their qualification - employed or not. Wage is not a remuneration related to working time any more, it is for working life and working life lasts beyond the duty to work under employment contract.

Thirdly: The thought that in every individual European country social security and pensions would be reformed with respect to their traditional principles is a nightmare. But this is precisely what the Swiss Thinknet experts do. In pragmatic terms though, they did not have a choice. There does not exist any supra-national institution for social security coordination, except bilateral agreements. Moreover, Switzerland is not even an EU Member State. Thinknet, therefore, is not to blame and should be congratulated for pioneering the Herculean task to clear the chaos in every individual country as well as in the transnational economy. Let us not forget, this chaos wastes fortunes in transaction and administrative costs and feeds bubbles of financial assets - e.g. pension funds - as well as dividends and profits in the insurance sector, money which deserves to be used for the remuneration of wage earners.

The great merit of Thinknet can hardly be overestimated. The team is fighting in the frontline to resolve a problem piled up through the secular transformation of wage relations. The destabilisation of employment relations and the rise of life expectancy are consistent factors tipping the balance of direct and 'indirect wages' - as the French call it - towards indirect wages. In other words, the gross wage - even more so the net wage - becomes a minor part of earnings including related benefits under social security and pension provisions. At the same time, with the internationalisation of the labour market, an increasing proportion of wage earners work indirectly and self-employed, not covered any more by social security and dependent on private insurance or savings and its risks. Construction is one of the sectors in which this transformation is most advanced. There is a desperate need for emergency action.

Fatefully, the victims of this development are typically unorganised. That is why trade unions have not taken much initiative in this field. Variably between the countries, a considerable segment of social security and pensions are under governmental authority where a lobby of wage earners is virtually non-existent. This state of affairs explains why,

² Jörn Janssen: Employers without Employees, a New Status. In CLR-News 3'2007, pp. 17-23.

³ Bernard Friot: La revendication d'un « statut du travail salarié » à la CGT, enjeu d'unification du salariat ? In Sophie Bérout et Paul Bouffartigue : 'Quand le travail se précarise quelles résistances collectives ?' La Dispute, Paris 2009.

in recent years, social security and pension provisions tended to be dismantled or scaled down rather than reformed. Poverty is expanding as a result.

Unless the trade unions take action on this issue which concerns the major part of wage earners' subsistence their organisation will suffer in a spiral of decline. Equally, as authorities of social justice, governments will lose legitimacy and suffer a substantial erosion of credibility and support. Demonstrations of pensioners are likely to become familiar events.

A major obstacle in the discussion of this transformation of wage relations and the consequent deterioration in living conditions of part of the population is the incompatibility between its transnational nature on the one hand and national institutions of social regulation on the other. It is imperative, therefore, to take into account that initiatives at national levels be regarded as exemplary steps in a transnational environment. Conversely, transnational – e.g. EU – initiatives will have to allow room for manoeuvre and adaptation at national levels. Given the special relevance for the construction industry, CLR is a predestined forum to raise the debate of Thinknet to the European level.

London, 11 November 2009.