

## Course 12: Welfare Economics and Labour Markets

welfare	bien-être (US : assistance sociale)
Welfare State welfare system	Etat-Providence système de protection sociale
social security	protection sociale
benefit social security benefits unemployment benefit	avantage, allocation prestations sociales allocations chômage
income benefit child benefit cash benefits housing benefit	assistance sociale allocation parentale allocations (en liquide) allocation logement
flat-rate benefit earnings-related benefits	prestation forfaitaire prest. proportionnelle au revenu
entitlement	ce qui revient de droit à quelqu'un ; (notably money) allocation
claimant	allocataire, reclamant
progressive taxation proportional taxation	imposition progressive imp. proportionnelle

### *insurance entitlements systems fund*

Welfare \_\_\_\_\_ are historically based on two different models. The first is the “Bismarckian model”, developed in Germany at the end of the 19<sup>th</sup> century. To reduce support for communism and socialism, Bismarck introduced a system of social \_\_\_\_\_ to protect workers against accidents, sickness and old-age. The key characteristic of this system was (and is) that \_\_\_\_\_ depend on workers/employees contributing to a social insurance \_\_\_\_\_. Only people who contribute receive benefits.

### *pension partners Health pay coverage professions contribute high*

This type of social insurance is still prevalent in Germany and in France today. \_\_\_\_\_ insurance, unemployment \_\_\_\_\_, and \_\_\_\_\_ schemes are run by the social \_\_\_\_\_ in a wide range of social-security funds, often linked to specific \_\_\_\_\_. In periods of full-employment, such schemes cover nearly the whole population. However, in times of \_\_\_\_\_ unemployment, unemployed people may lose their insurance \_\_\_\_\_, because they no longer \_\_\_\_\_ to a fund.

### *citizens universal premium state contributions free support*

The second historical model of the welfare \_\_\_\_\_ follows from the Beveridge report on “Social insurance and allied services”, published in 1942. The report is based on two fundamental principles. The first is that welfare \_\_\_\_\_ should be \_\_\_\_\_ and flat-rate: it should be available to all citizens (or residents). This has been notably the case of the UK’s National Health System, in which services are delivered “\_\_\_\_\_ at the point of use”. The second principle is that the welfare system should take the form of a collective

insurance system. To strengthen the political legitimacy of the system, Beveridge insisted that \_\_\_\_\_ should be presented as a form of “insurance \_\_\_\_\_”, which all working \_\_\_\_\_ must pay, and which gives each the right to a minimum, flat-rate benefit.

*regimes democratic minimal typology formulated redistribution transfer*

A more recent, and highly-influential \_\_\_\_\_ of welfare states in advanced capitalist countries was \_\_\_\_\_ by Esping-Andersen in his study ‘Three Worlds of Welfare Capitalism’ (1990). He distinguishes between social \_\_\_\_\_, conservative and liberal welfare regimes:

1. social democratic \_\_\_\_\_, as in Scandinavia, are based on a high level of welfare support, and also act to \_\_\_\_\_ wealth;
2. conservative welfare regimes, such as those in Germany and France, involve individual insurance and little \_\_\_\_\_ of resources between social classes;
3. liberal regimes, with the lowest level of support, provide \_\_\_\_\_ benefits. They are typically found in Southern Europe and the United States. Britain has moved from the first to the third category since the early 1980s.

insurance universal insurance insurance premium	assurance assurance universelle prime d’assurance
information economics	l’économie de l’information
imperfect information	Information imparfaite
information asymmetry	asymétries d’informations
moral hazard	risque moral
Insurance bonus	bonus-malus
adverse selection	anti-sélection
pension pensioner	retraite personne retraitée
PAYG – Pay-As-You-Go	retraite par redistribution
funded pension scheme	retraite par capitalisation

For N. Barr, the Welfare State should...: match

Efficiency (match the term and the definition)

1. Macro efficiency	a) the organisation of benefits should minimise adverse effects on labour supply
2. Micro efficiency	b) a certain fraction of GDP should be allocated to welfare, to avoid distortions and cost explosions
3. Incentives	c) policy should ensure the efficient division of total welfare state resources between different types of benefits

### Supporting living standards

4. Poverty relief	d) nobody should face unexpected and unacceptable cuts in living standards
5. Protection of accustomed living standards	e) no individual or household should fall below a minimum standard of living
6. Income smoothing	f) institutions should enable individuals to reallocate consumption over their lifetime

### Inequality reduction

7. Vertical equity	g) involves redistributing income to poorer families
8. Horizontal equity	h) differences in benefits should take into account age, family size etc.

### Social integration

9. Dignity	i) benefits should foster a sense of community
10. Social solidarity	j) benefits should be delivered so as not to humiliate recipients

### Administrative feasibility

11. Intelligibility	k) the system should be easy to understand
12. Absence of abuse	l) benefits should not be misused

work	travail
labour	travail, labeur, peine
manual labour	travail manuel
skilled labour	travail qualifié
unskilled labour	travail non-qualifié
blue-collar workers	« cols bleus »
white-collar workers	« cols blancs »
administrative employees	employé(s) de bureau, emp. administratifs
management	encadrement
manager, executive(s)	cadre
senior executive(s)	cadre supérieur
staff	l'effectif
working conditions	conditions de travail
working-week	la semaine de travail
the 35-hour week	la semaine de 35 heures
works committee	comité d'entreprise
wage cost(s)	coût salarial
unit labour cost(s)	coût salarial unitaire

## Dictation

The labour market and labour economics are among the most controversial areas of economic study. They tend to lie at the heart of differing ways of interpreting not just the functioning of the economy, but society as a whole. In the neo-classical tradition, the labour market is indeed a market, subject pretty much to the “rules” governing all other partial equilibria. In other words, the price in the market – the wage of labour – is set by the interaction of supply and demand. If the market does not clear, if there is unemployment, then this essentially stems from the fact that certain anti-competitive obstacles or working practices are hindering the market from working correctly. Unemployment is therefore essentially a voluntary phenomenon.

True or false?

- 1/ There is general agreement about how labour markets work.
- 2/ According the neo-classical theory, the labour market behaves like any other.
- 3/ Unemployment arises because of a lack of aggregate demand.

shedding of labour / downsizing	dégraissage de main d'oeuvre
labour market dualism	dualisme du marché du travail
labour market segmentation	la segmentation du marché du travail
casual labour - precarious employment	travail précaire
strike	grève
work to rule	grève du zèle
industrial dispute	conflit social
trade union (US: labor union)	syndicat
unionism	syndicalisme
industrial relations	« les relations de travail »

*female regulations unions safety dismissal*

Major restrictions to the free functioning of the market are to be found in the action of \_\_\_\_\_ and/or government \_\_\_\_\_ which seek to protect workers from the abusive behaviour by employers. Such regulations may cover anything from limiting child and \_\_\_\_\_ labour, to health and \_\_\_\_\_ regulations, to constraints on \_\_\_\_\_ .

*payroll contributions direct benefits pay*

The neo-classical analysis of the labour market is critical of extra costs imposed on labour. These mainly concern social security \_\_\_\_\_ and other forms of \_\_\_\_\_ taxes. They may also include costs linked to mandatory extra holidays, employee \_\_\_\_\_ and obligations to consult employees about company policy. The argument is that these charges increase the cost of labour without raising the \_\_\_\_\_ wage earned by employees. The demand for labour therefore falls, and the unemployed are less inclined to accept jobs because their “take-home-\_\_\_\_\_” is too small.

*rate segmented paradigm mobility*

More complex analyses within the neo-classical \_\_\_\_\_ seek to explain why labour markets do not behave as competitive markets. They point to how labour markets may be \_\_\_\_\_ , geographically, or according to skills: labour pools may exist which are self-contained, with external \_\_\_\_\_ being only limited. Similarly, they stress the

incentives employers may have to pay their employees more than the market \_\_\_\_\_, as this stabilises a workforce and encourages employees to work harder.

*alienated notion commodities*

“Heterodox” critiques of labour market economics are based on very different historical traditions. They have been especially strong in French “institutionalist” economics, and are partly derived from the Marxist \_\_\_\_\_ of employees, or workers, as human beings \_\_\_\_\_ under capitalist production. Such theories stress that humans are not mere \_\_\_\_\_. Their interaction with capitalists, or employers, cannot be reduced to a simple monetary transaction.

*historical sellers political goods institutions*

The relationship between the buyers and \_\_\_\_\_ of labour power must also be analysed within a historical context. Unlike transactions in other markets, which relate to inanimate \_\_\_\_\_, the labour contract is part of a \_\_\_\_\_ process. It evolves over time. It changes with technology. It has its own jurisprudence, so that the transaction is highly institutionalised, i.e. it is regulated by laws, and customs whose precise workings are often national or “societal”. The relationship is therefore complex, and government and or other collective \_\_\_\_\_ play an important role in governing the way the relationship functions and can develop. In short, it is a relationship which is not just monetary but also highly \_\_\_\_\_. Consequently, it cannot be analysed and its change cannot be guided just by market forces.

*True or false:*

- 1/ The labour relationship can be described by static models.
- 2/ Labour practices are similar from one country to another.

labour pool	bassin d'emploi
human capital	capital humain
manpower	main d'oeuvre
labour budget	bilan-travail prévisionnel
labour turnover	rotation du personnel
part-time work	travail à temps partiel
labour exchange	bourse de travail
informal labour	travail au noir
“collective bargaining agreements” collective agreement	convention collective
labour and social welfare laws	Code de travail et de la prévoyance sociale
labour jurisprudence	jurisprudence au travail
labour contract	contrat de travail
labour inspection	inspection du travail
labour force participation rate	taux d'activité