

# WELFARE STATE AND INSTITUTIONAL COMPLEMENTARITY:

*From North to South*

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# INTRODUCTION

**I – A theoretical background**

**II – More than a century long history: what lessons?**

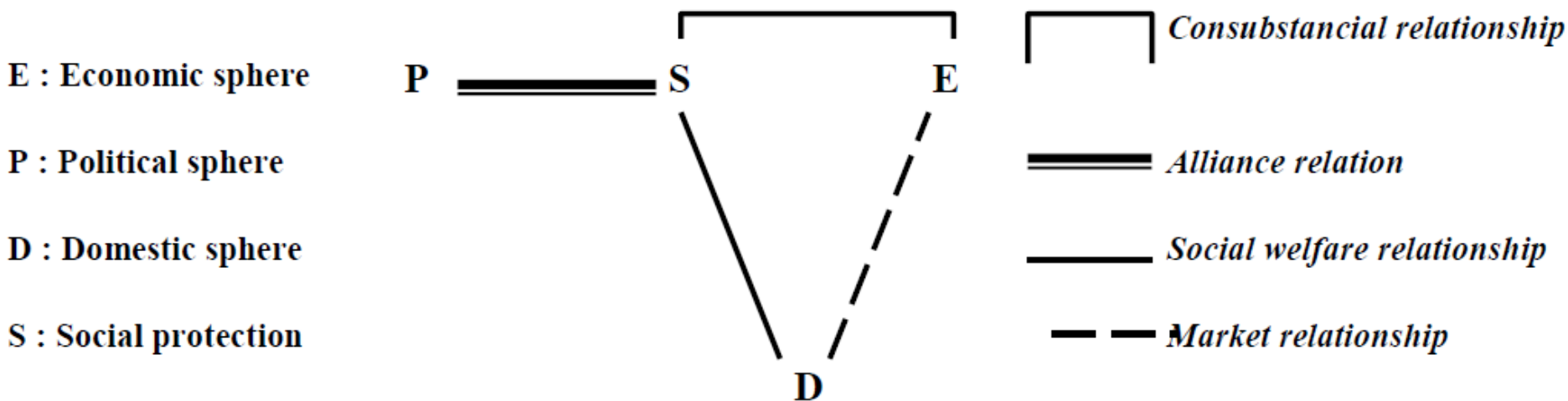
**III – Emerging Welfare states: what can we say?**

**Conclusion**

# I - A THEORETICAL BACKGROUND

## *I.1 – The intrinsic complexity of welfare states*

Figure 1 – A conceptualization of welfare



Source : Théret B. (1997: 214) .

# I.2 – A multiplicity of configurations

Figure 2 – There is no canonical configuration for welfare State

<i>Society with identity, individualist: meritocratic</i>	<i>Community link, holist and primacy of need</i>
<p><b>Liberal-individualist welfare</b></p> <p>USA</p>	<p><b>Liberal-paternalist welfare</b></p> <p>JAPAN</p>
<p><b>Welfare by other means</b></p> <p>AUSTRALIA</p>	<p><b>Clientelist linked to religion and party</b></p> <p>NETHERLANDS</p>
<p><b>Particularist-clientelist welfare</b></p> <p>ITALY</p>	<p><b>Universalist-minimalist welfare</b></p> <p>UNITED KINGDOM</p>
<p><b>Corporatist-meritocratic welfare</b></p> <p>GERMANY</p>	<p><b>Etatist-universalist welfare</b></p> <p>SWEDEN</p>

# *I.3 - How do complex systems cohere? The complementarity hypothesis.*

## **Insert 1: Four mechanisms**

### *1. Complementarity:*

Two elements  $E$  and  $E'$  are said to be complementary if the performance  $R$  of the conjunction of  $E$  and  $E'$  is superior to any other mix of elements i.e.  $R(E, E') > R(E, A) \forall A \neq E'$  and  $R(E, E') > R(B, E') \forall B \neq E$ .

### *2. Compatibility:* this second notion is frequently confused with the first one...but it should not! Actually $E$ and $E'$ are compatible if they can be jointly observed in existing economies and societies, i.e. $E \cap E' \neq \emptyset$ .

### *3. Hierarchy:* This is a third relation between entities, with the implication of causality from $E$ to $E'$ . Basically, if $E$ , then among a set $(E', E'', E''', \dots)$ there is one $E'$ such that $E \cap E' \neq \emptyset$ and $E \cap E'' = \emptyset, E \cap E''' = \emptyset, \dots$

### *4. Coevolution:* The observation of the joint occurrence of two institutions or organizations might be the unintended outcome of mechanisms of selection and learning.

# *A useful concept in many field of social sciences*

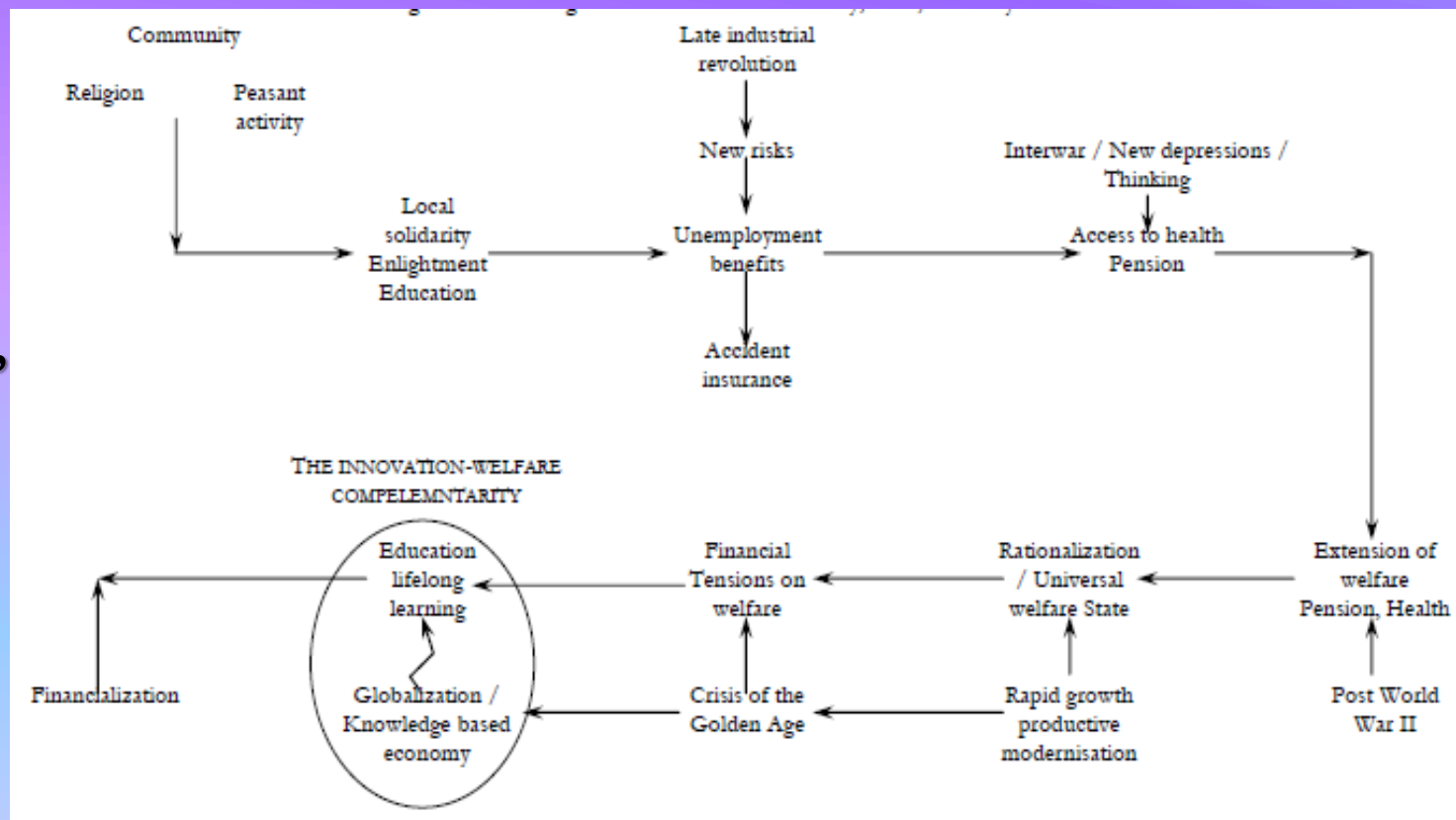
Table 1 – The Complementarity Hypothesis (CH): a brief survey of some main results

	Productive Systems	Innovation Systems	Modes of governance	Brands of Capitalism	Welfare systems
Authors	Milgrom and Roberts (1990)	Lundvall (1992) Amable & al. (1997)	Williamson (2002)	Hall and Soskice (2001) Amable (2003)	Theret (1997)
Examples	<p>1. Just in time and total quality (Japan)</p> <p>2. Polyvalent and skilled workers and high quality goods (Germany)</p> <p>3. University research and start ups (Silicon Valley)</p>	<p>1. Mixing mechanics and electronics (Japan)</p> <p>2. Industry technical centers and diffusion of incremental innovations (Germany)</p> <p>3. Venture capitalist and radical innovations (The US)</p>	<p>1. Industrial conglomerate and Main Bank (Japan before 1990)</p> <p>2. Codetermination and industrial collective bargaining (Germany before 1989)</p> <p>3. Shareholder value and labor flexibility (The US since 1990)</p>	<p>1. Complementarity of institutional forms at the macro level: Japan (Amable)</p> <p>2. Macroeconomic consequences of productive complementarity at the firm level: Germany (Hall and Soskice)</p> <p>3. Different productive complementarities generate different capitalism: the US (Hall, Soskice)</p>	<p>1. An industrial welfare in large firms, flexible employment in the services (Japan)</p> <p>2. Subsidies for shorter working time for core workers (Germany after 2008)</p> <p>3. Limited unemployment benefits but full employment economic policy (The US until 2000)</p>

# II – MORE THAN A CENTURY LONG HISTORY: WHAT LESSONS?

## *II.1 – A progressive building of welfare States: the Nordic example*

Figure 3 – The  
long run  
coevolution of  
solidarity, ideas,  
economy and  
welfare



Source: Susanna  
Fellman, Reino and  
Ritta Hjerppe  
(2009)



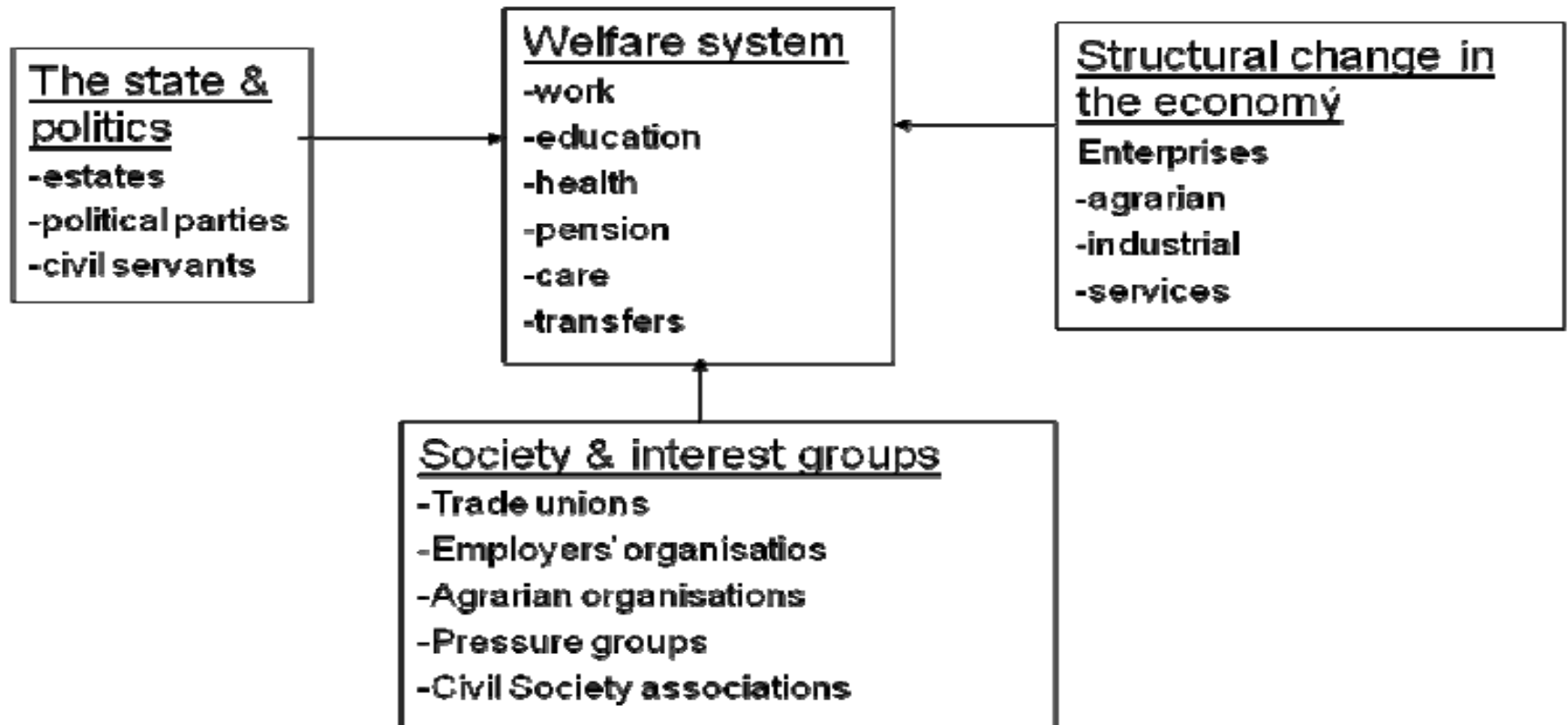
## ***II.2 – Timings and configurations are specific to each society***

<b>Innovation</b>	<b>First country</b>	<b>Second country</b>	<b>Third country</b>	<b>Finland</b>	<b>Sweden</b>	<b>Norway</b>	<b>Denmark</b>
<b>Work casualty insurance</b>	Germany (1871)	Switzerland (1881)		1895	1901/16	1915	1899
<b>Sickness insurance</b>	Germany (1883)	Italy (1886)	Austria (1888)	1963	1962	1956	(1893/)/1933
<b>Old age and work disability insurance</b>	Germany (1889)	Denmark (1891)	France (1895)	1937	1913	1936	1891*
<b>Unemployment insurance</b>	France (1905)	Norway (1906)	Denmark (1907)	1917	1893	1906*	1907*
<b>Child benefits (allowances)</b>	Austria (1921)	New Zealand (1926)	Belgium (1930)	1948	1947	1946	1957
<b>General suffrage</b>	New Zealand (1893)	Australia (1902)	Finland (1907)	1907	1921	1913	1915
<b>General education</b>	Germany (Prussia) (1763)	Austria (1774)	Denmark (1814)	1921	1842	1889	1814*

Source: Hjerppe – Hjerppe 2007; Sweden: [www.rixlex.se](http://www.rixlex.se) ; Norway: [www.lovdato.no](http://www.lovdato.no); Denmark: [www.retsinformation.dk](http://www.retsinformation.dk).



## Figure 4: Factors influencing welfare state development



Source: Susanna Fellman, Reino Hjerppe and RittaHjerppe (2009)

## *II.3 – Taxes, social contributions and types of welfare: a first complementarity.*

Table 3 – The role of taxation and social transfers upon Gini index: the gap between European Union and Latin America - 2006

Unión Europea (15 países)	0.46	0.31
América Latina (promedio)	0.52	0.50
Reino Unido	0.53	0.35
Irlanda	0.53	0.34
Dinamarca	0.49	0.29
España	0.47	0.35
Austria	0.38	0.27
Estados Unidos	0.47	0.34
Brasil	0.56	0.54
México	0.51	0.49
Chile	0.47	0.46

Source: Carlos Telo (2012).

## ***II.4 – Labor institutions and welfare: a second complementarity***

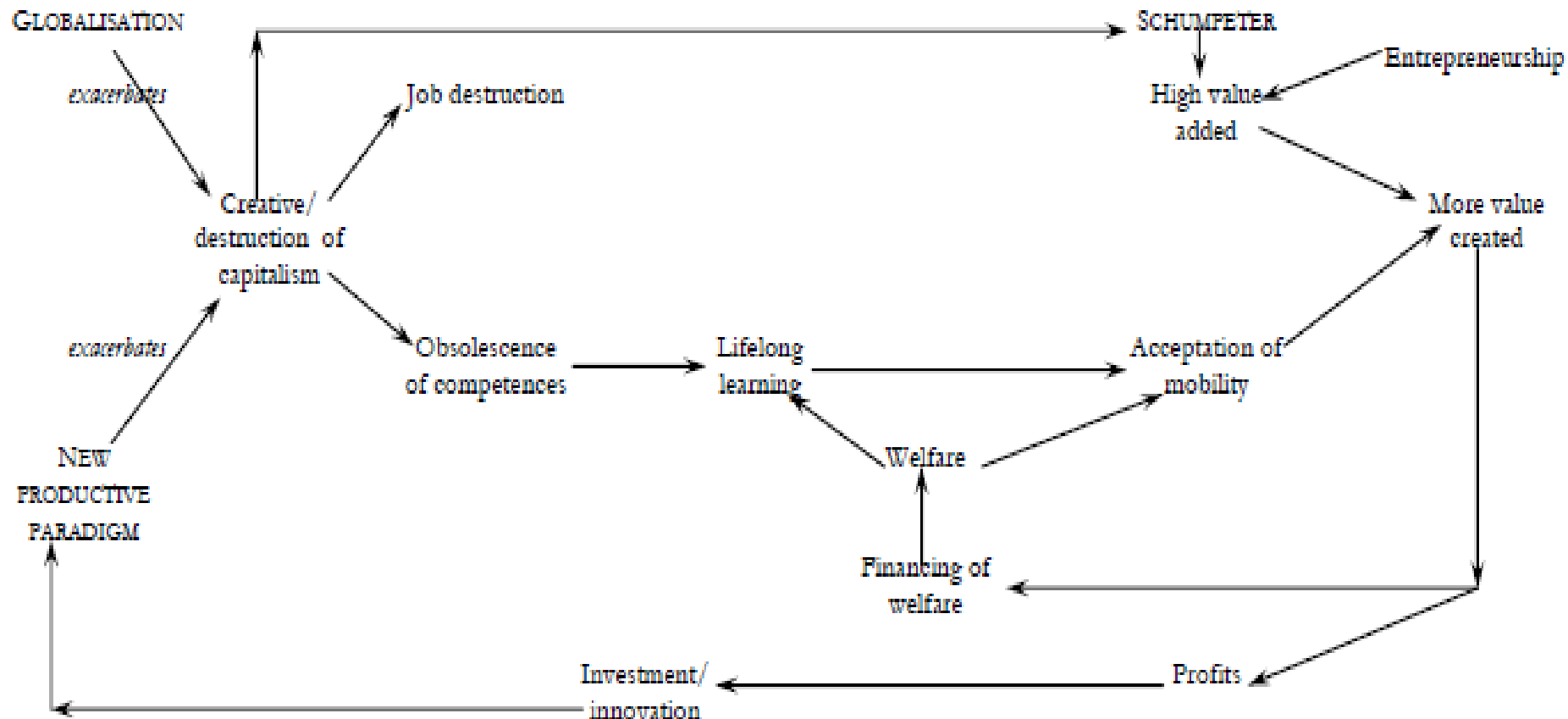
Table 4 – The distinctiveness of Scandinavian countries: a labour process organized upon discretionary learning

<b>Table 1: National Differences in Organisational Models (percent of employees by organisational class)</b>				
	<b>Discretionary learning</b>	<b>Lean production learning</b>	<b>Taylorist organisation</b>	<b>Simple organisation</b>
<b>North</b>				
<b>Netherlands</b>	64,0	17,2	5,3	13,5
<b>Denmark</b>	60,0	21,9	6,8	11,3
<b>Sweden</b>	52,6	18,5	7,1	21,7
<b>Finland</b>	47,8	27,6	12,5	12,1
<b>Austria</b>	47,5	21,5	13,1	18,0
<b>Center</b>				
<b>Germany</b>	44,3	19,6	14,3	21,9
<b>Luxemb.</b>	42,8	25,4	11,9	20,0
<b>Belgium</b>	38,9	25,1	13,9	22,1
<b>France</b>	38,0	33,3	11,1	17,7
<b>West</b>				
<b>UK</b>	34,8	40,6	10,9	13,7
<b>Ireland</b>	24,0	37,8	20,7	17,6
<b>South</b>				
<b>Italy</b>	30,0	23,6	20,9	25,4
<b>Portugal</b>	26,1	28,1	23,0	22,8
<b>Spain</b>	20,1	38,8	18,5	22,5
<b>Greece</b>	18,7	25,6	28,0	27,7
<b>EU-15</b>	39,1	28,2	13,6	19,1

Source : Third Working Condition survey. European Foundation for the Improvement of Living and Working.

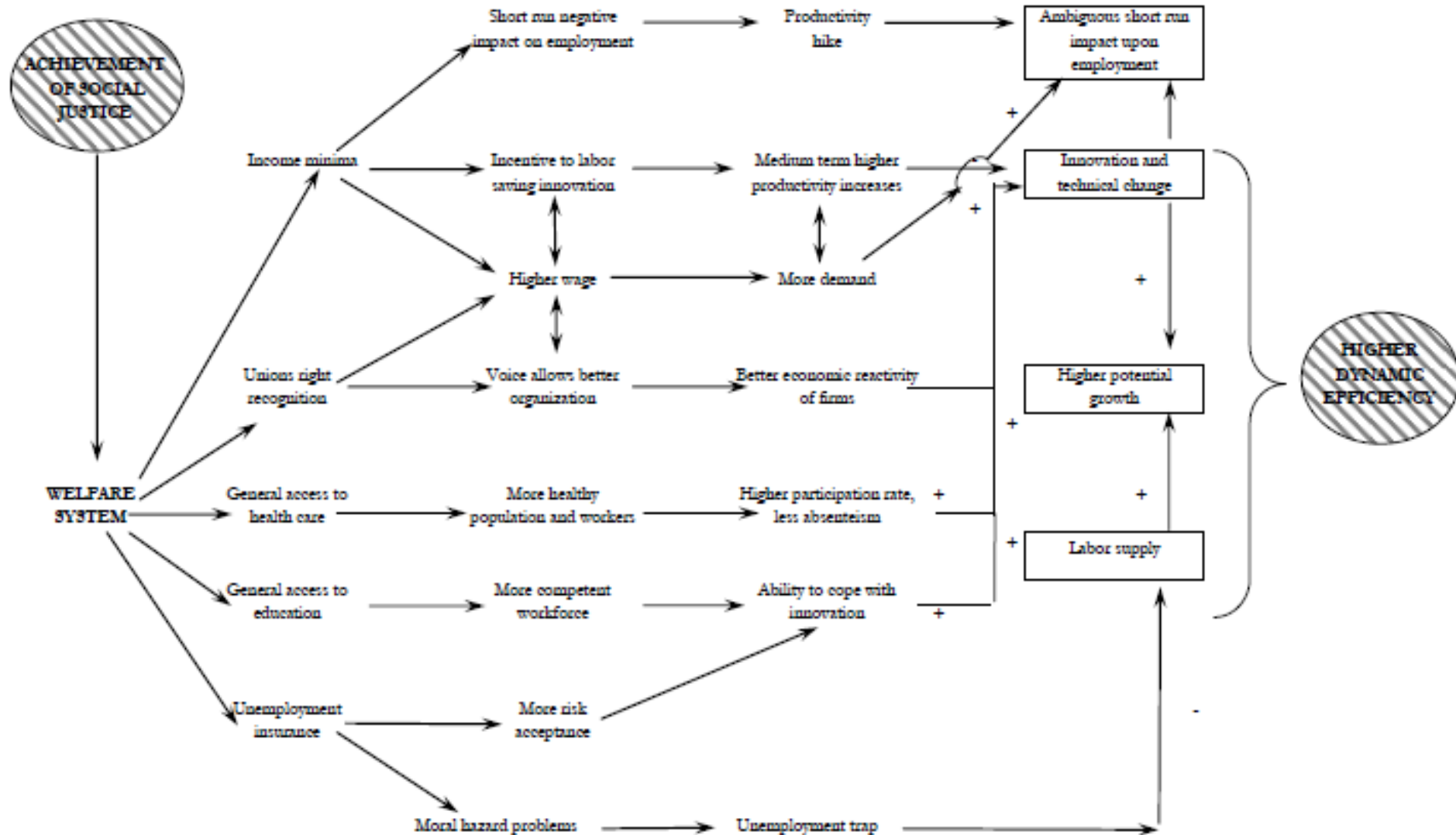
## ***II.5 – The production and innovation system has to sustain welfare***

**Figure 6 – The core complementarity between welfare and innovation: the Nordic configuration**



## II.6 – The theoretical foundations of a universal welfare led regime.

Figure 7 – The ideal type for a welfare capitalism



# III – EMERGING WELFARE STATES: WHAT CAN WE SAY?

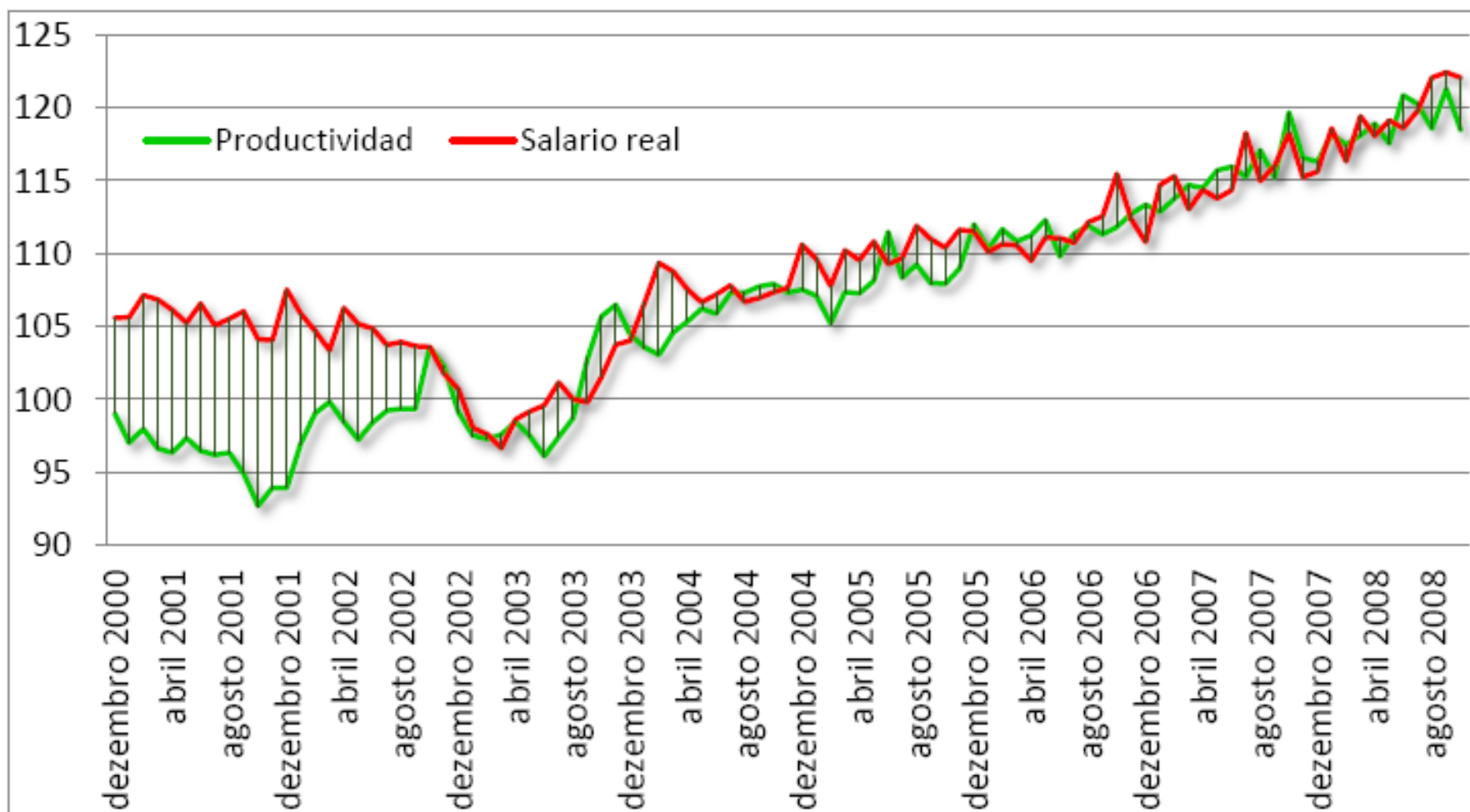
*III.1 – Conditional cash transfers as  
organizing a complementarity between  
redistribution, education and health*

*III.2 – Indexing wage and social benefits to  
productivity in Brazil: creating a  
virtuous circle*



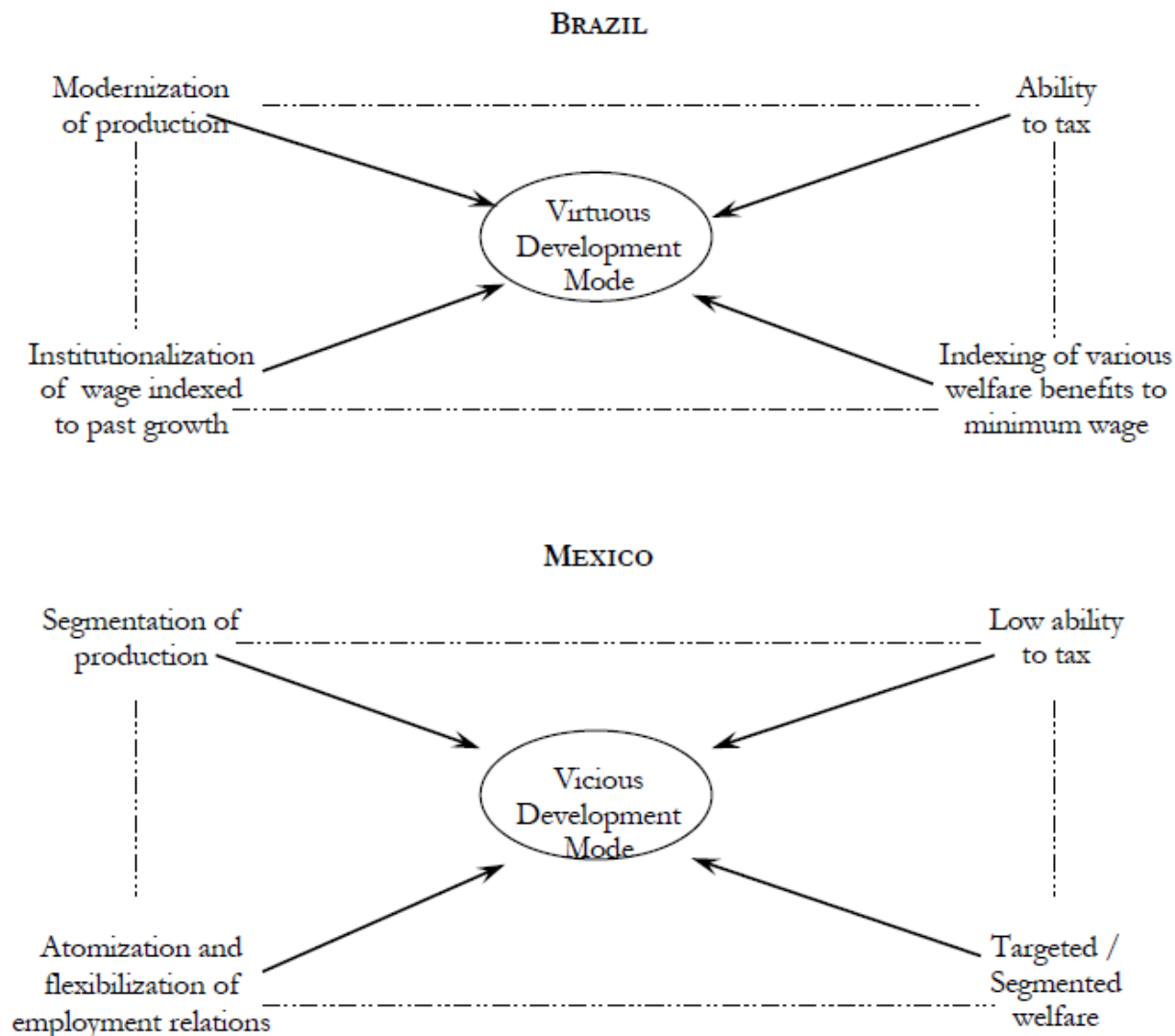
Graph1: The source of a domestic market led growth

Since 2003 a new synchronization of real wage and productivity



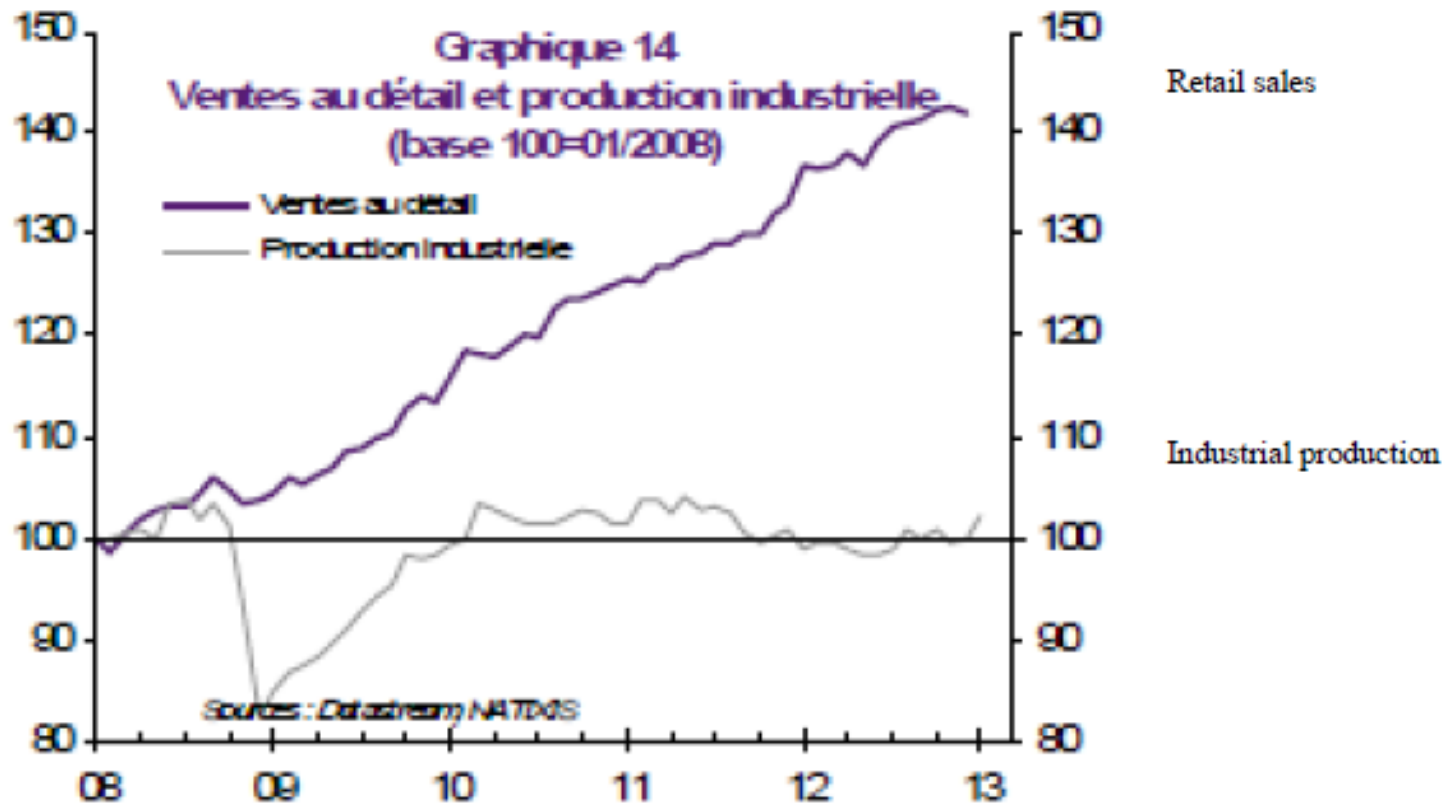
# *III.3 – Reducing poverty and fostering domestic demand: another joint impact*

Figure 8 – Virtuous or vicious circle? A matter of institutional complementarity



# *III.4 – Brazil: an emerging discrepancy between production and welfare*

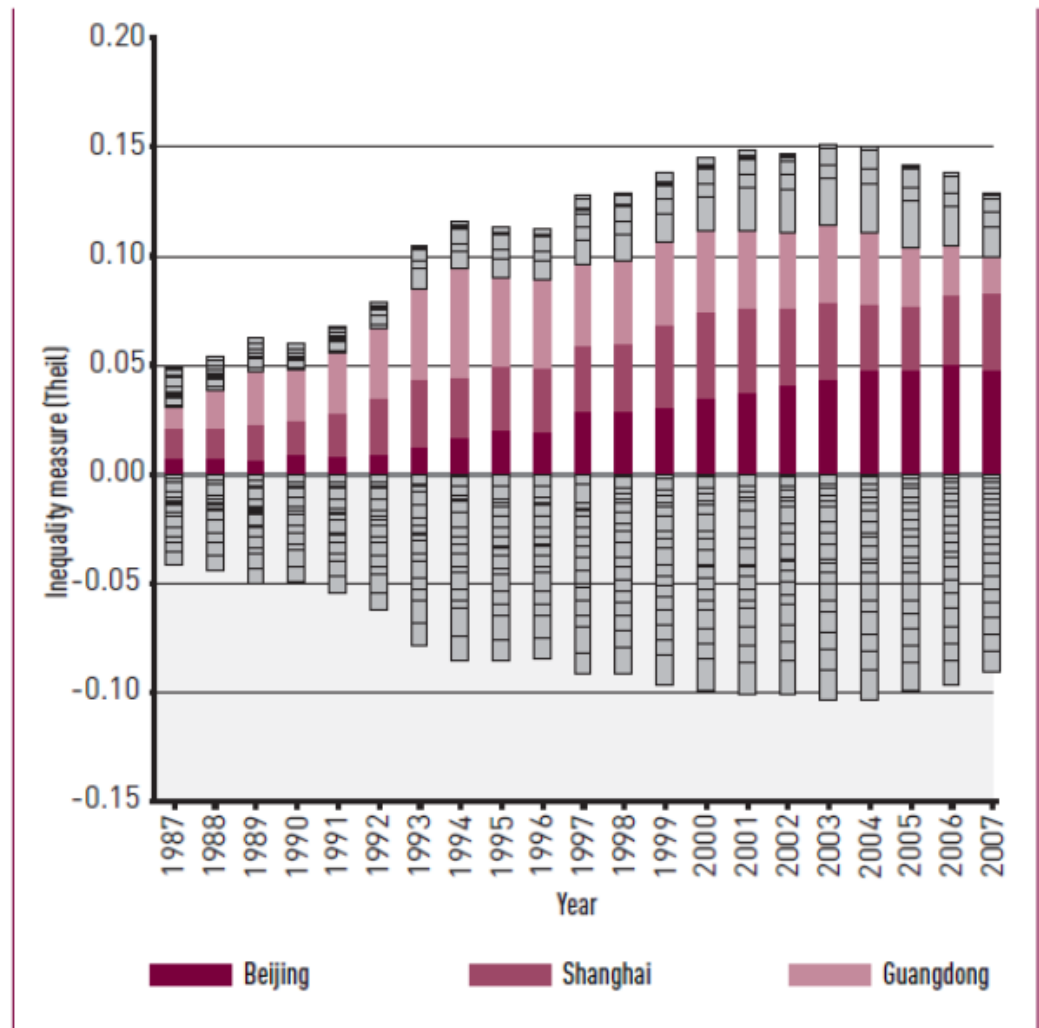
Graph 2 - Domestic demand dynamism but industrial production stagnation: Brazil since 2008



Source: Artus Patrick (2013), p.5

### *III.5 – China: fast structural transformation, urgent need for a modicum welfare*

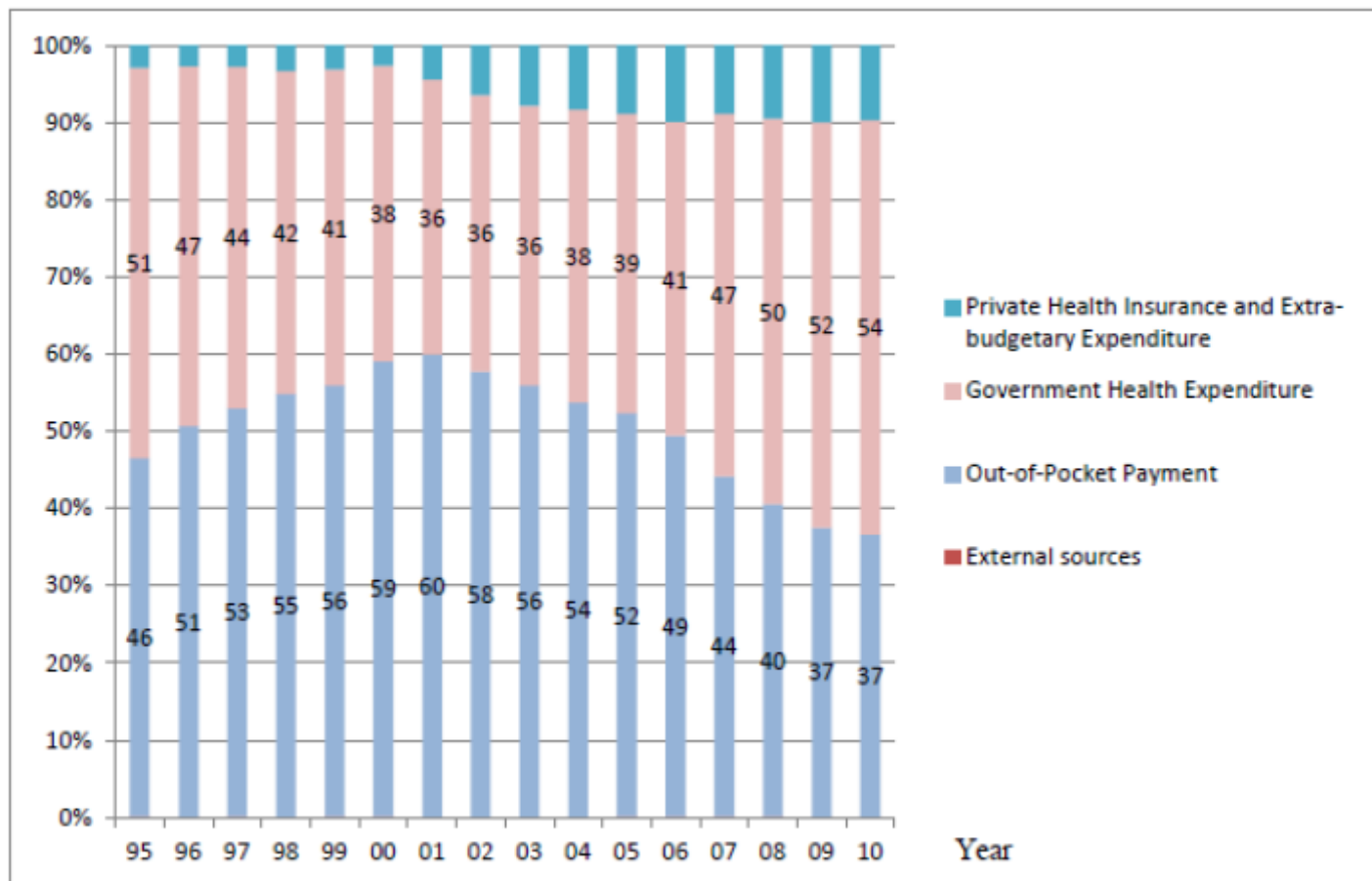
Graph 3 – Inequality and regional polarization, China (1987-2007)



Note: The bar segments represent elements of the Theil index, specifically the population weight times the ratio of average sector pay to country pay (times the log of the same ratio). Thus above-average pay sectors show positive values, those with below-average pay show negative values. The Theil measure for each year is the sum of the bar values for that year. Source: Galbraith et al. 2008.

# *III.6 – China: from the failure of privatization of welfare to a new strategy*

Graph 4: The return of state in health care financing after 2000 in China



Source: World Health Organization National Health Account database (for the most recent updates, see <http://apps.who.int/nha/database>).

# CONCLUSION.

- C1 – Any welfare state organizes the articulation **between society, economy and polity** as embedded into a set of institutions and organizations.
- C2 – The viability of any welfare state is up to its **complementarity** between a **production and innovation system.**



**C3 - Political history** matters since social pacts may or may not be easy to negotiate given the heterogeneity of conflicting interests.

**C4 – In spite of the Euro zone crisis,** a **welfare- led competitiveness** is still possible, however difficult the negotiation of the required social pacts might be.

**C5 - Social security is clearly on top of the agenda of many Asian countries and not only China.**

**C6 – Brazil** has explored more fully than other Latin American countries the complementarity between a redistribution of income towards the poorer fraction of the population and the reliance upon domestic market growth.

**C7 – History never repeats itself.** Actually, the South cannot follow the same precise strategies that benefited so much to the North.

# Thank you for your attention

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