

Life Course, Life Risks and Social Policy

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Outline

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Introduction

- Following the new emerging challenges in the modern life-courses, the 2005 Meeting of OECD Social Affairs Ministers asked the OECD Secretariat to undertake work on the topic of Life risks, the life course and social policy, noting that

“The OECD should identify how social and economic goals can be best achieved, for example by policy interventions at certain critical 'transition points' or by redistribution of income from one point in the life course to another. The OECD should further assess the best ways of financing social policies across the life course.”

A life-course perspective...

- To capture the dynamics of lives and to encompass a landscape of social and policy changes
 - try to cover the sequence of events that characterize individuals' life from birth to death (very high data demanding research...)
- The entire life becomes the basic framework for empirical analysis and policy evaluation.

New risks

- Life courses are no longer "simple" (or standardized) and depend on "taking the right decisions", individuals play thus a much more active role in societies.
- → With changing life progression, a significant portion of the social *risk* has been transferred from the State onto the individuals.

New risks (cont'd)

- New social risks differ from (or add complexity to) the old social risks concerned primarily with interruptions of income from sickness, unemployment and retirement
- These new social risks arise from various circumstances, e.g. :
 - (i) changes in family and household compositions (divorce, single-parenthood)
 - (ii) shifts in the balance of work and family life as a direct result of the declining importance of the male breadwinner family;
 - (ii) changes in the labour market,

(cont'd)

- For example, parents with children have the least free time, childless couples have the highest work load;
- Careers are no longer linear and very often unstable (not necessarily related to young age or changes in the labour market).
- Also, the first entry and the final exit of people from the labour market are now complete “phases” and not “simple transitions”

For successful social policies... it is essential

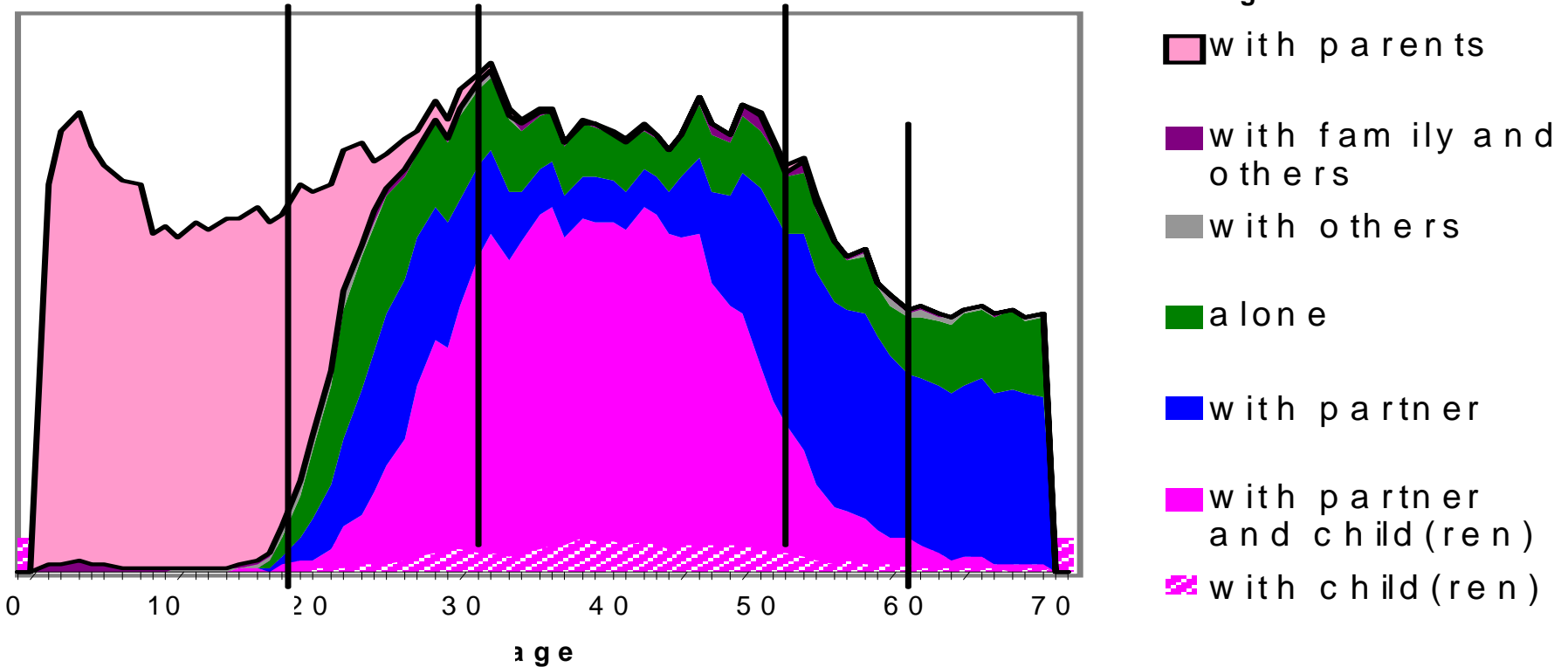
- to disentangle permanent and temporary effects deriving from particular transitions
- to understand why many individuals experience the same events, which do not become turning points (e.g. people return to work after a short spell of unemployment rather than remaining long-term unemployed or moving into a much lower-paid job).
- This process might help to identify long-term social risks and to develop appropriate policy responses.

From separated life phases
to interrelated life risks:
Examples of the
“modern” life-courses

- **Denmark**
- **Spain (family bonds)**

Denmark

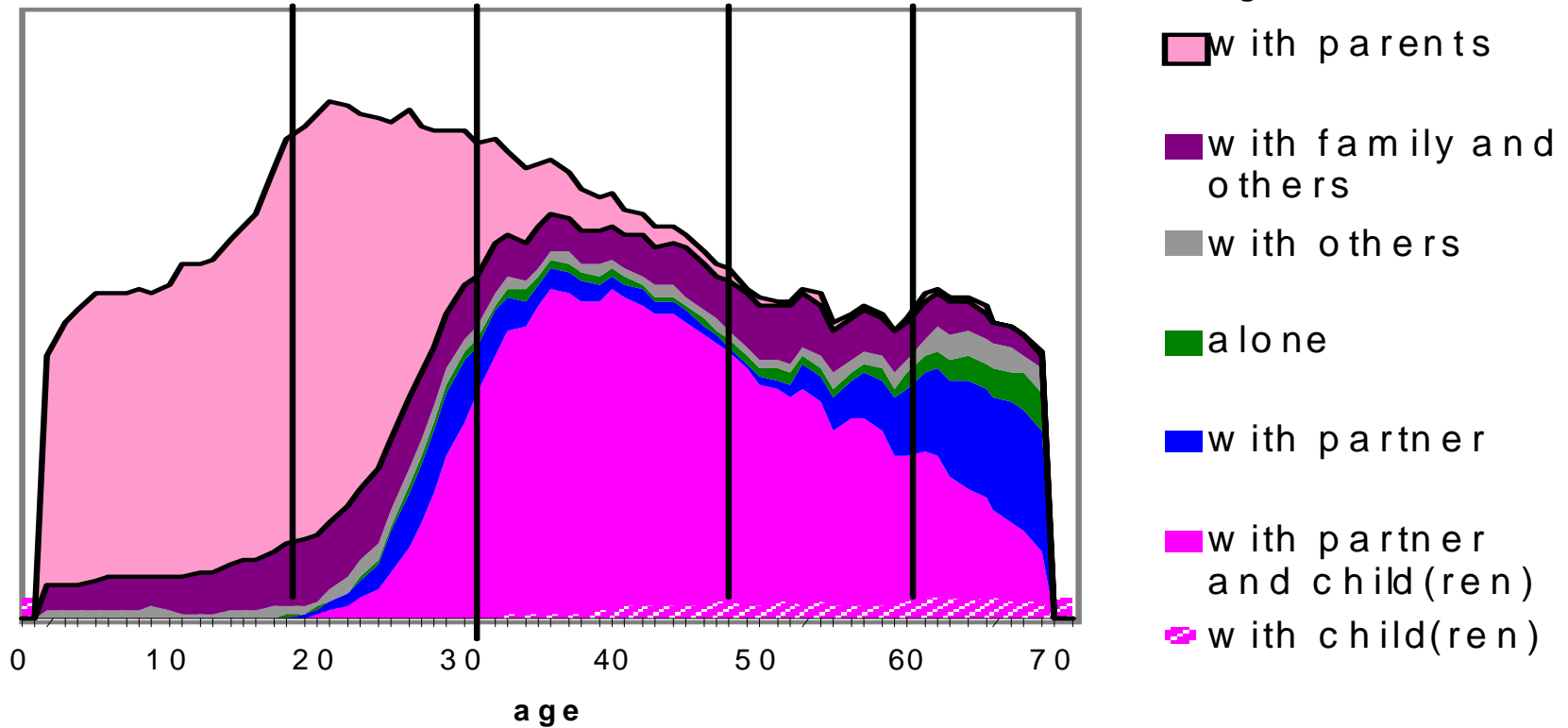
Age/household 1996



Source: Chapter 2 in OECD (2007), *Modernising Social Policy for the New Life Course*

Spain

Age/household 1996



Source: Chapter 2 in OECD (2007), *Modernising Social Policy for the New Life Course*

Resources over the life-course

- A life course approach contains an implicit link to the allocation of resources over the long-term. Individuals' resources include time and "money": they both play a crucial role in the life-course.
- Welfare state regimes may contribute to strengthen or lessen the obstacles to a right balance of the use of these resources over the life-course

Life course policies may thus contribute to narrow the gap between the preferences for and the availability of various ways to make working patterns more flexible over the life course.

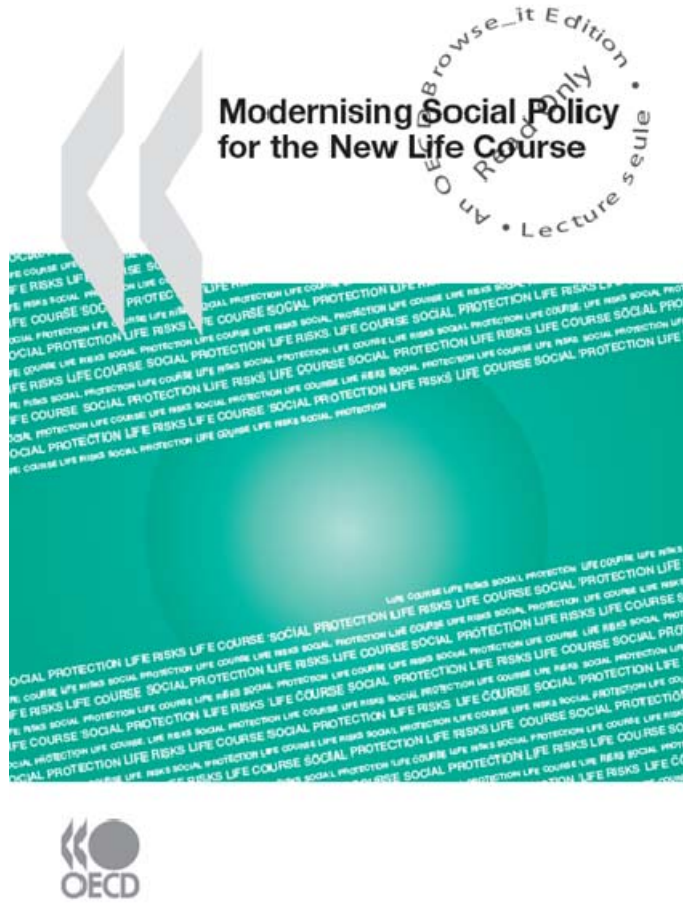
- The risk of loss of social security for many and the growing discrepancy of increasing life expectancy and dropping employment participation of older workers put pressure on a new organisation of working-time over the life-course
- → *Working time options are important tools in this framework*

The project

- 1st aim: To identify and to describe, qualitatively and quantitatively, some of the events that can be seen as risks for the well-becoming of individuals (Part I).
- Focus of this part of the project:
 - PERSISTENT POVERTY
(using longitudinal data for 17 OECD countries)

The project (cont'd)

- 2nd aim: To develop social policy responses to the new life risks. To do this the OECD has held a seminar in Paris in 2007 (Part II) which has covered a range of topics and conceptual issues.



1st Part of the Project: Poverty as a life risk

- Income profiles over the life-cycle have changed and have nowadays a higher degree of variability than they had in the past.
- Many people experience temporary spells of low income at some point in their lives – when they are students, when temporarily absent from work because of illness or childbirth, or when moving from job to job.

- Conversely, for a group of people, the experience of poverty extends over prolonged periods, with more significant consequences for the economic well-being and the well-becoming of the people affected and their families
- *It is therefore persistent poverty that is seen as a life risk that may lead to a cumulative process of disadvantage and be transmitted over generations.*

What leads to diverging path in the life course?

- **Multiple events might "trigger" income changes at the household level. These include**
 - **Changes in union formation and childbearing patterns,**
 - **Changes in the amount of employment (number of jobs held by different members or in the number of hours worked by all household members (total household hours worked) and in the percentage of household members working for pay (versus dependents).**

What matters for poverty?

- The combined effect of declines in income streams from earnings and transfers matter more than those from capital income.
- Large falls in public transfers matter more for entry into poverty than those in capital income in all countries except the United States
- Declines in earnings are more important than those in transfers in a slight majority of countries

- Falls in the number of workers in the household are less important, while
- Changes in family structure are by far the most important trigger event for entry into poverty.

2nd part : Social Policy

responses to the new life risks

- The seminar looked into two topics that increasingly matter on policy agendas: life-course policy analysis and life-course policies.
- Life-course policies are intended to intervene at one stage in the life of an individual (or institution) in order to have effects at subsequent stages of those lives.
- Life course policies are meant to influence how individuals allocate their time and other resources over life.

- A life-course approach to social policy may help to shed some lights on the ability of individuals to shift time and money between different stages of the life course.
- Innovative ways of doing it include, for example, the life-course savings scheme (in the Netherlands) which stimulate workers to accumulate a certain amount of life-time and money that can be used to face periods out of work.

- These life-time saving accounts allow individuals to manage the difficulties characterizing their working life differently from the past, by giving them a higher degree of responsibilities for the different risks they may incur.
- Comparison: career break (Belgium) vs. life-course saving accounts (Netherlands)

Country	Belgium	The Netherlands
Name of policy measure	Time credit/career break	Life-course scheme
Date of creation	2002/1985	2006
Target group	All employees, specific conditions for 50+ with career of minimum 20 years	All employees
Entitlement conditions	Right for all employees after consent of employer	Right for all employees to participate, but take up of leave must be approved by employer
Financial incentive	Lump sum monthly allowance	Reallocation of wage
Type of incentive	Subsidy for full time or part time (1/2 or 1/5) career break, 1/5 reduction for 50+	Saving account for the individual employee (max amount 210% of gross annual wage), 3 to 4% "interest rate", employee takes up savings as full time or part time leave, tax reduction
Implementation	RVA (government institution for labour provision)	Private financial institutions
Cost for government	Number of beneficiaries* allowance	Tax delay and reduction
Relation with pension system	Career breaks count as work for establishment of pension rights, 50+ career breaks precede (early) retirement	Interaction with pre-pension system Leave period can be used as (partial) pre- pension leave
Period of use by employee	Max. one year full time or half time reduction; max. five years 1/5 reduction For 50+ persons: extra part-time reduction (1/2 of 1/5) unlimited until retirement	Max. three years of full time leave (except for prolonged care leave of max. 18 weeks)

Source: Chapter 4 in OECD (2007), *Modernising Social Policy for the New Life Course*

- To encourage savings among low-income people interest also exist in some countries in asset-based programming to encourage savings

Some preliminary conclusions and policy implications

- The fundamental policy question addressed in the project was whether the current designs of social protection systems in OECD societies are well-suited to contemporary life course realities. The answers to this question are diverse but some unifying messages emerge.

- Virtually all OECD welfare states already have a wide range of programmes to redistribute resources across individuals' life courses. However, the life-course approach offers the opportunity to address questions such as: is redistribution occurring over the right portion of the life course or are there risks or periods of need not adequately covered by existing programmes?

- The life-course approach gives a new set of lenses through which to look at issues, because it links different life events while taking account of the “dynamics of interrelated risks”. New analytical tools , which provide a new way of looking into issues, and more generally a new analytical framework, are needed.

- A life-course approach needs the consideration of the allocation of resources over the long term. While private allocation of resources over the life cycle is a well-known phenomenon, allocation of resources through “innovative” social policy is a newer concept.

- Many programmes are relatively recent in their introduction, therefore it is probably too early to evaluate these new tools and draw definitive conclusions. Moreover, one should be very clear about the goals of these new schemes as they may be used simply as alternative to already existing programmes (e.g. to phase-out of the labour market cohorts whose human capital has depreciated).

- Careful evaluations of these new schemes are important, which obviously entails the collection of comprehensive data and the use of appropriate analytical tools.

- It is also important to note that some innovative ways of managing time/money can shift risk management from collective to individual actors and lead to a shift from collectively financed to more individualised social security provision.

- Greater individualisation offers advantages in terms of personal choice and can improve incentives, but it is important to ensure that such a shift does not reduce security or reinforce existing inequalities.

For further information...

- On the publication “Modernising social policies for the new life course”:
http://www.oecd.org/document/24/0,3343,en_2649_33933_39752472_1_1_1_1,00.html
- And on the Social Policies division:
http://www.oecd.org/department/0,3355,en_2649_33933_1_1_1_1_1,00.html