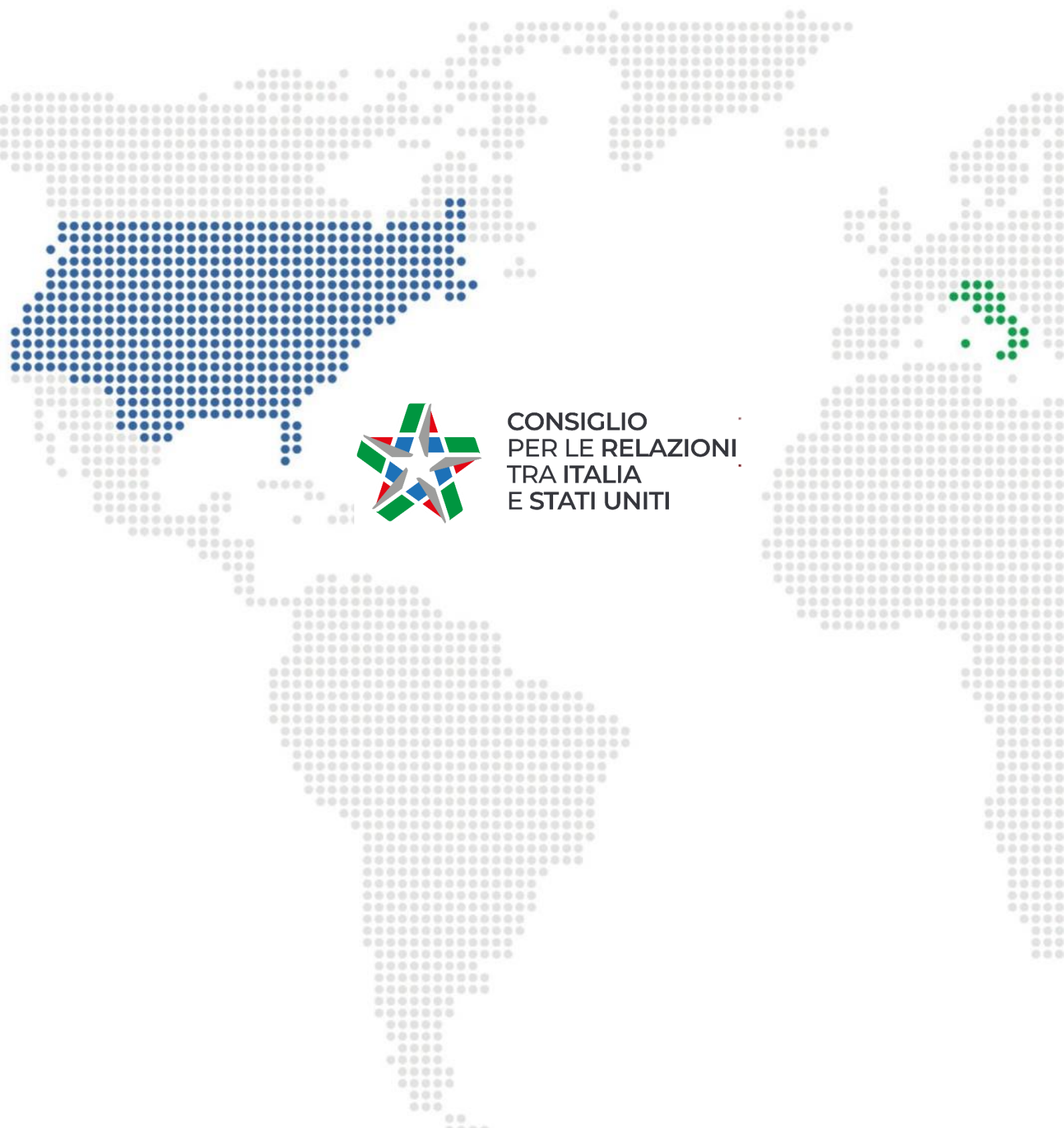


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THE PANDEMIC AND OUR BROKEN SOCIAL CONTRACTS

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Many of the norms and institutions underpinning contemporary society were forged in and for a bygone era, and now have created a mismatch between people's expectations and their reality. It is little wonder that the pandemic has highlighted the erosion of people's sense of mutual obligation and social trust.

LONDON - The emergence of the Omicron variant just before the holiday season has led to another surge of infections and hospitalizations in the world's rich economies, renewing the focus on the issue of vaccine hesitancy (or, in many cases, outright refusal, such as with the Serb tennis player Novak Djokovic). The unvaccinated remain unnecessarily vulnerable, and the exasperated double- and triple-dosed are wondering when enough will be enough. Worse, billions of people in developing countries still do not have access to vaccines, representing a catastrophic, ongoing failure of the international system.

In this moment of acute crisis, policymakers must wrestle with the most immediate problem: the unvaccinated, who will continue to make up a large majority of deaths and hospitalizations, provide the virus with ample opportunities to acquire potentially dangerous new mutations. Beyond that, policymakers must also address the root of the problem. Vaccine hesitancy is not an isolated issue. Rather, it is a symptom of the primary malady of our age: a broken social contract, which in many countries has led to a collapse of public trust in institutions.

SOCIAL CONTRACTS 101

The social contract is the basic set of rules, norms, and mutual obligations that bind together individuals, firms, civil society, and the state. Simply put, the social contract defines what we owe each other. In the narrow context of a pandemic, it determines the extent to which individual preferences will prevail over collective interests. Whether people feel obligated to get vaccinated, wear a mask, or self-isolate if infected is not an epidemiological question; it is a social and political one.

But the social contract also "governs" a much wider set of common concerns, establishing a framework for a vast array of human interactions. For example, who should provide childcare in a society? Should it be families, all raising their own children at home? Or should childcare be supplied by firms, or supported by the state through policies like paid parental leave?

The question of health care is similar. Should the responsibility for bearing health-care costs fall on individuals, employers and insurers, or the state? And should employers be expected to offer contracts with regular hours and benefits - such as sick leave and pensions - or should workers be expected to bounce from gig to gig, each making arrangements for their own future?

In more traditional societies, the terms of the social contract tend to be fulfilled by families and communities, whereas modern societies assign greater roles to the market and the state. But in all societies, capable adults are expected to contribute to the common good in exchange for being looked after when they are young, old, or debilitated.

The point of public benefits is to help individuals thrive and realize their full potential as contributing members of society. The expectation is that those who receive also will give back. If someone who is otherwise capable leads a life of receiving without contributing, that breach of the social contract can both destroy that individual's sense of belonging and undermine trust and common purpose in society at large. Such violations do not only disrupt individual lives; they also erode the ties that bind societies together.

FRACTURING FOUNDATIONS

In most countries today, the social contract was established on common premises that may no longer hold true. It was traditionally assumed that all families would be supported financially by a single male breadwinner, while women would care for the young and old.

People were expected to remain married until death, and to bear children only in wedlock. Men would have steady employment, working for only a few employers over the course of their careers. The education and skills accumulated in school presumably were sufficient for a lifetime. Those who made it to retirement would need only a few years of support before they passed away.

These assumptions still underpin many clauses in the social contract, despite their growing irrelevance. Globally, almost half of women now participate in the labor market (though there remains significant variation across regions). In the world's wealthier economies, between one-third and half of marriages end in divorce; and though divorce rates are lower in most developing countries, they are trending upward. A growing proportion of children are born outside of marriage.

Moreover, the average worker holds many more jobs over the course of a lifetime than did workers in previous generations, and technological change is likely to accelerate this trend. While developing countries struggle to pull more workers into the formal employment sector, informality appears to be on the rise in richer-economy labor markets, where more and more people are employed in precarious work arrangements with few or no benefits.

THE GENDER AND TECHNOLOGY FACTORS

There are many reasons for these shifts, but the two biggest factors so far have been changes in gender roles, which have upset traditional childcare and eldercare arrangements, and technology, which has disrupted both work and education. Both effects are still playing out, and more shifts are on the way. Many countries are experiencing significant demographic change, owing to migration and population aging. Even worse, climate change now threatens to upend entire economies and ways of life.

Despite these tumultuous developments, many of which have been underway for decades, we have not updated the terms of our social contracts. As a result, there is a confusing and increasingly untenable mismatch between citizens' expectations and reality. When a society can no longer provide what it once promised, and when individuals find that their contributions are no longer rewarded as they once were, distrust and alienation duly follow.

This kind of breakdown is evident in many countries, where it offers a far more complete explanation for today's anger and unrest than the frequently cited problem of stagnant or declining living standards. The latter explanation is superficially similar, but ultimately inadequate. While there is no question that inequality and poverty are linked to a wide variety of social ills, they alone cannot explain the rise of political extremism, conspiracy theories, drug addiction, and vaccine refusal among the rich world's middle classes.

The epidemics of loneliness and depression among affluent, educated populations show that social alienation reflects more than material deprivation. Personal well-being depends heavily on one's sense of belonging and contributing to a community - exactly the sort of things that a social contract is supposed to underpin.

BACK TO THE DRAWING BOARD

Clearly, the social contract needs an overhaul. But to what end? In the early twentieth century, the pioneering social scientist Beatrice Webb (one of the founders of the London School of Economics and Political Science, which I now lead) explained that a social contract ought to:

"... secure a national minimum of civilised life ... open to all alike, of both sexes and all classes, by which we meant sufficient nourishment and training when young, a living wage when able-bodied, treatment when sick, and a modest but secure livelihood when disabled or aged."

Webb's prescription for a fair bargain between society and the individual is as relevant as ever. It encompasses three overarching principles that should underpin any new social contract for the twenty-first century: minimum economic security for all; maximum investment in capabilities; and a broader sharing of risk.

Minimum economic security for all means that every society should establish a floor below which individuals' incomes cannot go. There are many tools for ensuring this outcome, from cash transfer programs in developing countries to tax credits for low-wage workers in advanced economies.

But minimum security should also include access to basic health care, a pension to avoid destitution in old age, sick leave, and unemployment insurance, regardless of the type of employment contract. In developing countries, that means bringing more workers into the formal sector; in richer economies, it means mandating that employers pay benefits to "gig" workers in proportion to how much they work.

This last point is crucial, because it stresses the need for adaptability in the social contract. Labor-market security need not imply rigidity. Indeed, the sweet spot is where a high level of security meets a high level of flexibility, or what former Danish Prime Minister Poul Nyrup Rasmussen called “flexicurity.” The inevitable revolution in, and technological disruption of, work demands that we strike this balance.

IT TAKES A VILLAGE

The second principle, maximum investment in capabilities, has too often been neglected. In both poor countries and poorer communities within rich ones, talent is routinely wasted because of inadequate provision of the economic opportunities that are essential to social mobility – and thus to the social contract’s strength. Disaffection is often greatest in those countries where the prospects of improving one’s lot over time are low or have recently fallen. In the Nordic countries, it takes two or three generations to move from the bottom of the income distribution to the middle; in the United States and the United Kingdom today, it takes five; and in South Africa and Brazil, it takes nine. Much of this wasted talent is concentrated among women, minority groups, and children born into families or communities that are unable to give them opportunities to apply their abilities. By not creating conditions that enable everyone to reach their potential, a society fails not only disadvantaged groups but also everyone else. In the US, 20-40% of the productivity gains between 1960 and 2010 can be explained by a fuller use of the latent talent in society. Instead of drawing on a narrow pool of white men, changes in laws and norms meant that employers could choose from a far wider pool of skills, allocating jobs to workers that suited them best.

Similarly, a society that empowers high-potential children from underprivileged communities will reap significant rewards in innovation. Research from LSE’s Centre for Economic Performance indicates that if talented children from poor families – “lost Einsteins” – sought patents at the same rate as similarly talented children from rich families, innovation in the US could quadruple.

In addition to investing in citizens’ early years, the successful societies of the twenty-first century will do more to ensure equal access to education, perhaps with lifetime endowments to pay for university, or through vocational training over what will be much longer careers. While most countries have equalized educational opportunity, women are still disadvantaged in the workplace because they perform, on average, two hours more unpaid labor (domestic and care work) per day than men do. More generous parental leave, public funding to support families, and a fairer division of labor at home would allow female talent to flourish, benefiting society as a whole.

Last, the social contract needs to broaden the sharing of risk. Far too much of this burden is borne by individuals when it could be better managed collectively. For example, it is easier to ensure flexibility for employers (hiring and firing) when mechanisms are in place to provide displaced workers with unemployment insurance and retraining. In essence, such arrangements spread the risk of unemployment across society, rather than heaping devastating costs onto individuals and households.

Similar insights apply to childcare, health care, and old age. For example, it makes little sense for employers to bear the costs of maternity leave. After all, publicly funded parental leave would achieve the same end while also reducing the burden on smaller firms and creating a more level playing field for men and women in the labor market. By the same token, it is more efficient and cost-effective for everyone when health risks are pooled across a larger population; and such pooling is even more effective when there are incentives for individuals to manage their own risks through diet and exercise. Similarly, policies like automatic enrollment in pension schemes and insurance for eldercare would give individuals more security at the end of their lives, while alleviating the burden on others. That is why Japan and Germany already require people to have social care insurance for old age.

RESTORING THE TIES THAT BIND

The social contract is not a standard legal compact, nor is there a one-size-fits-all prescription that will suit countries as different as the US, Japan, Chile, and Ghana. Each society must set the terms of its social provision according to its own unique history, relying on families, firms, community organizations, and the state in different measures.

What all countries do share are global challenges like climate change and the pandemic. Confronting these in a piecemeal fashion is impractical; solving them will be impossible without a sense of common purpose. We must recognize our global interdependence while also reknitting the ties of mutuality that hold our societies together. Only with a new social contract at the national level – one genuinely relevant to our modern lives – can we rebuild the trust needed to achieve solidarity both within and between countries.