

BOOK REVIEWS

Shaun Wilson (2021). *Living Wages and the Welfare State: The Anglo-American Social Model in Transition*. Policy Press: an imprint of Bristol University Press, 2021. viii. 223 pp. £80 hbk £24.99 pbk

This is an excellent book which provides a comprehensive and accessible analysis of how low-wage labour markets are central to understanding welfare state dynamics, particularly in Anglo-American economies. Low-wage growth has been a feature of these economies in recent decades and has resulted in deteriorating living standards for their populations, particularly for workers and their families on low incomes.

A salient feature of the book is the way in which Shaun Wilson combines insights from several intersecting literatures. As Wilson notes in his introduction, economists have long dominated discussions about labour markets, particularly minimum wages, and have provided advice to governments in Anglo-American countries in favour of deregulation and wage restraint. Wilson adds important perspectives drawn from sociology of labour markets as well as comparative social policy. This provides the reader with a broader understanding of factors which determine why wages have been suppressed and what policies are required to reform wage determination.

The book draws on a wide range of sources, including the International Social Survey Programme (ISSP), Work Orientations Survey research and data from the OECD. Chapter 1 focuses on minimum wage workers and the low-wage labour market which incorporates the bottom third of wage earners. These workers are subject to not only low pay but also multiple job holding and more frequent job changes. In Chapter 2, intersecting problems are examined such as housing insecurity, household debt, and workfare. However, low minimum wages in liberal economies like the UK, the USA, and Canada do not fully account for the slowdown in wages growth which also affect countries in other parts of the world. Chapter 3 provides further evidence of the breakdown in consensus in liberal market economies about the necessity of low minimum wages to stimulate economic growth. Yet this has yet to stimulate policies designed to achieve higher wages. The ‘new politics of the living wage’ is discussed in Chapter 4 and points to achievements in some countries such as New Zealand and the UK. This has been the result of grassroots union mobilisation, sometimes in coalition with community organisations. Chapter 5 outlines challenges to living wage welfare states and offers some concrete suggestions for improvements.

The concluding chapter summarises the findings of the book under five headings which offer qualified optimism for the future of ‘the Anglo-American social model in transition’ to achieve improved wages and an expanded welfare state. First, mobilisation of workers and coalition building with civil society groups has made some progress in challenging poverty-level wages. The ‘Fight for \$15’ movement in the USA is an example of ‘the living wage’ movement. Second, old alliances have demonstrated that they can still build new institutions. For example, the previous New Zealand Labour government, led by Jacinda Ardern, followed the example of the Blair Labour government in the UK by expanding the minimum wage while also promoting full employment. Third, living wage reforms have been central to the repositioning of centre-left politics, although this has varied between countries in the Anglo-American sphere. Fourth, the policy monopoly enjoyed by orthodox economists in favour of low minimum wages has been disrupted by contrarian findings of

US economists studying fast-food workers. This has confirmed the positive impact of higher minimum wages on worker wellbeing, social engagement, and job performance. Finally, welfare reforms and political limits on redistributive budgets are increasing long-term pressure for pre-distribution. Improved minimum wages become an even more critical policy response to harsh welfare reforms.

A valuable framework is provided in the concluding chapter which compares three 'ideal types' of welfare approaches, namely conservative liberal, living wage liberal, and social democratic. The objective is to show how a living wage welfare state might sit in a revised welfare state typology for the 2020s. The living wage welfare model is positioned between the other two types. It includes higher wage floors adjusted for living costs, a partial basic income support, universal basic services, collective wage-earner institutions such as wages boards, and expanded labour market policies and job guarantees. Wilson argues that living wage reforms need to be buttressed by greater public investment in housing and childcare and should aim at protecting minimum standards of work and dignity. The final statement in the book is that 'these proposals are ultimately aimed at taking the realities of the liberal model that is now in clear transition, and suggesting how they might be encouraged in a social democratic and pro-worker direction'.

The book puts a convincing argument in favour of pragmatic reforms within the existing framework of the Anglo-American social model. However, I wonder if a stronger argument could have been made for more far-reaching reforms towards a social democratic model, particularly by labour-oriented governments in the UK, Australia, New Zealand, and Canada? These all have parliamentary systems which make it easier for progressive labour governments to introduce reforms, as they have done in the past, compared with the US political system. To secure more long-term change towards greater wage equality and an expanded welfare state, adoption of key elements from the Nordic system could be undertaken. The characteristics of a more social democratic model, as outlined in the final chapter, are not particularly radical, namely high-wage floors achieved by union-coordinated industry bargaining, greater social insurance and welfare support, universal social services, and a larger public sector with active labour market policies.

Although the book deals primarily with the Anglo-American and liberal English-speaking countries, extensive data are provided from the Organisation of Cooperation and Development (OECD) and other sources which compare these countries with those in the Nordic region. These data provide strong evidence of the positive consequences of decades of social democratic policies. The Nordic countries have the greatest percentage of middle-income earners and lowest percentage of the labour force with higher income. Strong welfare schemes in the Nordic countries cover the loss of income due to illness or unemployment and reduce the need for private savings by citizens. Furthermore, OECD data reveal that the Nordic countries have less than half the percentage of workers in low-wage full-time jobs compared with liberal economies. Workers in the Nordic economies enjoy significantly higher levels of job quality compared with their counterparts in liberal economies. Finally, not surprisingly, worker voice and protection is far greater in the Nordic countries compared with liberal economies as measured by union density (which is three times higher), collective bargaining coverage (84% compared with 29%), and union rights, which are much stronger.

While it can be argued that the countries in the Anglo-American, English-speaking countries have significant cultural and other differences compared with those in the Nordic region, both sets of countries underwent major economic and political reforms in the 1930s following the Great Depression. A major difference was that the Nordics adopted a more social democratic approach to governing their countries and economies. Labour and capital achieved a historic compromise which enabled them to bargain collectively without government intervention and hence needed fewer labour market regulations. The

Nordic countries have strong democratic institutions which enable them to engage in continuous reforms without altering their fundamental system. Shaun Wilson concludes his book by stating that ‘the global downturn that came in 2020 with the COVID 19 pandemic has severely damaged low-wage labour markets forcing the extension of social security payments in countries like Australia and the US’. Yet he also notes that economic recovery could result in renewed calls for ‘a return to market-clearing wage austerity and even greater deregulation of labour conditions’.

Unfortunately, the recent defeat of the Labour government in New Zealand appears to be opening the way for a conservative backlash against the moderate reforms of the previous government. The incoming conservative National Party-led coalition government has announced that it will repeal Labour’s ‘Fair Pay Agreement’ laws which enabled collective bargaining beyond a single enterprise where unions could demonstrate worker support or it met a public interest test based on criteria such as low pay, limited bargaining power, or lack of pay progression. The new government has also announced that it will scrap Labour’s plan to introduce a national income assurance scheme. By contrast, the British Labour Party has promised to introduce the former New Zealand style fair pay agreements if it wins the next election. One of the arguments raised by Labour supporters in New Zealand, after the government’s defeat, is that their reforms did not go far enough and more should have been done to support and advocate the changes to the social and industrial relations system.

One aspect of the Nordic labour movement’s reforms, which could provide further support for a more social democratic approach in the Anglo-American systems, is the adoption of the ‘Ghent system’ of social insurance, whereby the unions are given a key role in delivering unemployment benefits, including supplementary payments for union members based on their union dues. Although there have been some modifications to the Ghent system in recent years by conservative Nordic governments, and there are some differences between each country, the system remains intact and has contributed to the high percentage of the workforce who are union members. Although the Hawke Labor government in Australia did consider this kind of reform during their first term in office, the union leadership preferred to focus on introducing compulsory superannuation. While this improved the retirement pensions of the workforce, and led to wage moderation, when it was introduced as part of the Accord between the union movement and the government, it did not greatly improve the living wage of most workers.

In conclusion, this book provides an excellent review of research on living wages and the welfare state in countries within the Anglo-American and English-speaking regions. Shaun Wilson is commended for such a readable and informative analysis of the living wage and welfare systems in transition in the Anglo-American model. Wilson’s proposed reforms should be carefully considered by both conservative and labour-oriented policymakers because they provide alternative paths to improve wage and welfare systems. However, it would be valuable if Wilson followed up this current volume with a similar analysis of the Nordic countries which have adopted social democratic reforms which have proved superior to the Anglo-American model in improving the lives of workers and the economies in which they reside. Such a subsequent book would widen the scope of reforms which Labour governments could follow to achieve better social and economic outcomes.

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