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par Kelly Williams

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The Future of the Safety Net: Social Insurance and Employee Benefits

edited by Sheldon FRIEDMAN and David C. JACOBS, Champaign, Illinois: *Industrial Relations Research Association*, 2001, 268 pp., ISBN 0-913447-81-1

This most recent volume of the Industrial Relations Research Association series is no exception to a tradition of engaging empirical and policy contributions to the field. The introductory chapter, by editors Friedman and Jacobs, outlines the current American social safety net debate. Critics are charging that bankruptcy looms for publicly funded social welfare programs. Demographic shifts and increasing life expectancies will make public pensions and health care untenable in the near future. Furthermore, declines in unionization and collective bargaining, increases in the use of contingent labour, and escalating benefit costs are eroding the private system.

In the ten chapters that follow, contributors debate the efficacy and sustainability of social security in the United States. Overstatement of the funding crisis and critiques of privatization schemes, both supported by empirical studies, provide the dominant themes. Authors point out that significant portions of the American population remain unprotected by current plans, and the situation is unlikely to improve under a private system. Rather than attempting a comprehensive survey of social welfare programs, the editors have chosen to offer an in-depth analysis limited to pensions and health care. This means that some integrated services such as unemployment insurance, welfare, and disability programs are excluded. Although this might be considered a weakness, the complexity of the material suggests that the decision was well warranted. In order to mitigate the concentration on details of the American experience, the editors have included several comparative articles, analysing conditions in a variety of Organization for Economic Co-operation and Development (OECD)

nations. Although Canada is not investigated, Canadian readers will recognize and gain insight into debates mirrored in their own public policy arena.

Chapters two through five examine public pensions. Christian Weller begins with an excellent evaluation of the key issues and a comparative study of public social security systems in six industrialized economies. He argues that the social security funding dilemma in the United States has been significantly exaggerated, suggesting that public pensions may encounter a "willingness-to-pay crisis but not an ability-to-pay crisis". While the number of individuals over the age of 65 will rise dramatically in the next 50 years, this lone statistic offers an incomplete picture. Gains in labour productivity and employment growth may actually make it easier for the working population to support the elderly. Drawing on simulations of adjustments in productivity, employment, wage growth and income distribution inequality (acknowledged as a detrimental factor), Weller illustrates the sensitivity of projections to underlying assumptions and shows that almost all of the OECD countries analysed will be able to maintain or increase benefits. In addition to providing useful country-specific pension system details, Weller also addresses the privatization argument. Privatization proponents suggest that individual accounts generate higher rates of return and therefore reduce contribution needs without reducing resulting benefits. In contrast, Weller compares the return rate stability of public pensions to the transition costs, increased beneficiary risks and generally higher administration expenses of private plans. For Weller, public pensions can be sustained for the foreseeable future if policies are adjusted to meet

changing economic conditions whereas private pensions are likely to put the social safety net in jeopardy.

For Dean Baker, as well, the supposedly negative influence of the aging population on future living standards is overly pessimistic. Examining the relative impact of productivity growth, population aging, health care costs and wage inequality on projected living standards, Baker shows that productivity growth affects future wages substantially more than any of the other factors. Regardless of the negative impact of other factors, the average standard of living in all 19 of the OECD countries examined will still rise.

Valerie Walston and William Spriggs draw attention to the fact that public social security benefits in the United States do not only support retirees. They are a critical source of income for disabled Americans and surviving family members put at risk by a primary breadwinner's death. Walston and Spriggs examine income from the bottom two quintiles of American households. Their results show that the current public social security system rescues a large proportion of first and second quintile families from extreme poverty. The impact on children and African American families is particularly significant. It is argued that the systems of privatization currently proposed do not adequately address the needs of these low-income families.

In the final discussion of public pensions, Peter Diamond analyses the differences between defined benefit (DB) plans, such as those in Canada and the United States, and defined contribution (DC) plans represented by Chile's recently revised system. Although many analysts favour switching to DC plans, Diamond argues that no DC system in existence supports that proposition. DC systems struggle with high administrative costs and poor risk-sharing. The quality of the DB system relies heavily

on the quality of political decisions. Diamond's evaluation is meticulous, but results in the disappointingly ineffectual conclusion that either plan type can be successful if designed well.

Chapters six and seven turn to private pension plans. Dallas Salisbury situates the movement away from DB plans toward DC plans in the United States within the context of a greater focus on individual, as opposed to social or employer, responsibility for retirement income. He suggests that while DB plans reduce investment risk and guarantee a level of security through annuity income, DC plans deliver more to workers who change employers on a frequent basis. Salisbury also provides evidence that 60% of American households are in debt or have zero net worth and that little attention is paid to retirement savings. This disturbing fact along with the shift in risk from employers to employees indicates a real need for basic financial literacy.

Teresa Ghilarducci focuses on women and private pension plans. Recent studies show that women represent 75% of the total elderly population living in poverty. Explanations for this include low pension coverage, inferior pension plans and inadequate rules about survivorship and divorce. According to Ghilarducci, both men and women are suffering declining pension coverage, with the steepest declines accruing to low-income workers who are unlikely to have other retirement resources. Ghilarducci also demonstrates that unionization raises women's pension coverage.

Chapters eight and nine introduce the health care debate. David Jacobs begins by explaining that the United States is the only industrialized nation without a national health insurance (NHI) program. Yet countries with NHI have significantly lower health care expenditures (as a percentage of GDP), a higher life expectancy and lower infant mortality rates. Jacobs censures the political

machinations of health care providers, insurance companies, and other parties interested in maintaining the status quo. He concludes that in spite of the clear advantages conferred by a national health insurance program, it is unlikely the United States will pursue that objective in the near future. Edith Rasell continues health care system critiques, returning to the attack on overly pessimistic funding assumptions. Rasell argues against the popular option of a health care voucher system. Among the concerns raised are difficulties with imperfect health service markets, assessing the appropriate voucher benefits for individuals with very different risk levels, and insurers "cherry-picking" only healthy applicants. Rasell suggests that rather than wholesale health care transformation, a series of small cost-cutting measures, minor tax increases and universal availability of Medicare would prove both more efficient and effective.

In chapter ten, Helene Jorgensen and Robert McGarragh shift the focus from benefit funding crises to coverage crises for contingent workers. Employers receive flexibility and cost advantages by limiting the number of permanent, full-time employees on staff, resulting in a dramatic increase in contingent workers and a corresponding decrease in the number of employees covered by health insurance and pensions. Nancy

Sedmark focuses on the issue of same-sex partners. In many American states, homosexuality and co-habitation (same-sex or heterosexual) remain a criminal offence. This creates difficulties for more progressive organizations that would choose to extend benefit coverage to the partners of employees in this group. Sedmak looks at the legal and moral issues and then offers practical guidance for those wishing to add same-sex partner benefits to their current programs.

The contributors to this IRRA volume have raised important concerns regarding benefit coverage and the validity of the received view on social security funding. It is difficult, however to feel entirely content with the collection. Although there are understandable space limitations within such a publication, it remains disappointing that none of the authors offers anything more than very generalized recommendations for change. The investigations are irreproachable but leave the reader unsatisfied. This criticism is minor, however, as the volume is particularly timely and provides sound scholarship, instructive in the evaluation of worldwide social security debates.

KELLY WILLIAMS
University of Calgary

The Family Division of Labour

by Marie-Agnès BARRÈRE-MAURISSON, Amsterdam : SISWO, 2000, 213 pp., ISBN 90-6706-155-7.

Barrère-Maurisson is already well-known in French-speaking countries in the field of family division of labour and on issues related to work-family balancing, among others. This book is a translation of a work first published in French in 1992, but it has been re-edited to include the author's most recent research. A preface to the English edition is also

of interest and may help researchers and students to understand the essence of the author's theoretical proposals.

The author examines the relationship between work and family and the two spheres are considered simultaneously, which is an original perspective, although more frequent since work-family balancing issues came to the forefront in the