

Gough, Ian

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# Two scenarios for sustainable welfare

New ideas for an eco-social contract

Ian Gough

Working Paper 2021.12

**etui.**





# Two scenarios for sustainable welfare

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european trade union institute

**Ian Gough** is a Visiting Professor in CASE and Associate of GRI, London School of Economics, and Emeritus Professor, University of Bath. Contact: [i.gough@lse.ac.uk](mailto:i.gough@lse.ac.uk)

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## **Abstract**

More and more nation states are now committing to net-zero carbon by 2050 at the latest, which is encouraging, but none have faced up to the transformation of economies, societies and lives that this will entail. This paper considers two scenarios for sustainable welfare and discusses the implications for contemporary incomes, jobs and welfare states. It is necessarily restricted to the EU and similarly rich countries of the developed world. The first scenario is the Green New Deal framework to decarbonise the economy whilst addressing the distributional and welfare issues this would involve. This paper argues that expanded public provision of ‘essentials’ would be a necessary social component of this strategy. The second scenario goes further to counteract runaway private consumption by building an economy of egalitarian sufficiency with ceilings to income, wealth and consumption. This would require a further extension of labour market and welfare state interventions. The paper provides a framework for mapping and developing these two distinct approaches and for identifying a range of policy options on jobs and incomes.

## Introduction

In June 2019 the UK became the first major economy to commit to a legally binding target of net-zero greenhouse gas (GHG) emissions by 2050. On the 21st of April 2021, the European Parliament and the European Council agreed on an irreversible and legally binding target of reaching ‘climate neutrality’ by 2050. Other nations such as Japan and Korea have since followed suit, President Biden has rapidly but as yet informally committed the USA, and China has set a target for ‘climate neutrality’ by 2060. A recent audit of countries, states and regions, and cities finds net zero targets in place covering 61% of GHGs, two thirds of global GDP and 56% of the world’s population (Oxford Net Zero 2021).

This is promising, but converting these targets into outcomes is a much more difficult process. The Paris Agreement of 2015 requires all signatory states to publish nationally determined contributions (NDCs) to decarbonise their economies, which are to be reviewed downwards every five years (starting in Glasgow in 2021). The current pledges when added together are quite inadequate to achieve a target of 2°C global heating, let alone 1.5°C. We are currently heading for around 3°C of planetary heating by the end of the century, an unmanageable disruption to global climate (Tollefson 2021). A growing number of countries have enshrined these policies in new legal and institutional frameworks, pioneered by the UK Climate Change Act 2008. The UK’s Climate Change Committee (2020) has just set a tough sixth carbon budget for 2033-37 and the EU has set a more stringent interim target of 55% reduction by 2030.

When announcing their net zero target, the UK government boasted that ‘the UK has already reduced emissions since 1990 by 42% while growing the economy by 72%’. But of course this refers to territorial emissions, not those embodied in the goods we consume. Like most countries in the global North the UK has exported production and GHG emissions to the global South. After falling during the financial crash of 2007-09, UK consumption emissions have flattened out at a level over half as high as our territorial emissions, with no rapid reduction in sight. For this and many other reasons, net-zero targets must be examined critically.

The climate crisis raises with stark urgency the question of how to reconcile a radical analysis questioning the very nature of capitalism with a need to formulate realist transitional policies. This paper will follow here the structure set out in *Heat, Greed and Human Need* (Gough 2017b), which distinguishes



three transition scenarios. First, a green transition to decarbonise the economy and ‘decouple’ economic output from greenhouse gas (GHG) emissions, but in an effective and equitable a way as possible. Second, in recognition of the fact that the first scenario is climatically and morally inadequate, the next scenario features the restructuring of incomes and consumption in rich countries in pursuit of a more radical goal of egalitarian sufficiency. And in recognition of the fact that ultimately this too will be insufficient, the third scenario embraces a de-growth transformation. However, the rest of this paper will focus on the first two scenarios rather than degrowth.

Since early 2020, the climate crisis has been overlaid with a global health crisis which has led to a shutdown of major parts of the global market economy. This in turn has fostered unprecedented government economic interventions, including the Next Generation EU programme, President Biden’s 1.9 trillion dollar American Rescue Plan and the 2 trillion dollar American Jobs Plan. Whether or not this marks the end of the neoliberal era, the ground has certainly shifted – something evidently recognised by the European Trade Union Institute (ETUI), European Trade Union Confederation (ETUC) and many other agencies who have issued important messages on this subject.

The focus of this report is on climate mitigation and social policy in the UK, the EU and comparably rich nations of the developed world. It does not look at the other eight planetary boundaries identified by the Stockholm Institute (including the biodiversity crisis, water withdrawals, air and chemical pollution, etc.), nor does it does analyse any climate change impacts or climate adaptation policies.

Within this remit, the central question of this paper is how to marry climate goals and social goals. It argues that the following steps must be undertaken:

- a recognition of the fact that the climate crisis cannot be understood or tackled without acknowledging its umbilical link with international and intranational inequality;
- a move towards economist Kate Raworth’s (2017) ‘safe and just space for humanity’ – between the social foundations for human wellbeing and an upper boundary that protects the planetary ecological system;
- the extension of the traditional trade union goals of equity and justice to encompass sustainability and environmental safety;
- the development of a social-ecological or ‘eco-social’ framework.

## Scenario 1: Green New Deal + Social Guarantee

Calls are growing across the EU, including at the ETUC and ETUI, for a new ‘social-ecological contract’, to extend the traditional idea of a social contract. What would this entail? The discussion is divided in two parts: the ecological and then the social.

### Green New Deal

A rough distinction can usefully be drawn between :

1. **Green transition:** the transition to a decarbonised economy;
2. **Just transition:** the safeguarding of hard-hit sectors, communities and workers;
3. **Green New Deal:** a more integrated eco-social programme.

Green transition programmes promote a range of programmes to a) reduce carbon and GHG emissions, and b) enhance carbon and GHG sinks. These include a wide range of policies using a wide range of policy tools such as carbon pricing, legislation and banning, fiscal stimuli, regulation, standard-setting, education and public messaging. In most cases, these tools are compatible with a ‘green growth’ strategy.

Ideas about the just transition seriously consider the social impact of such restructuring on hard-hit sectors, workers and communities that would lose out, such as mining and fossil fuels (Galgozci 2019; Mercier 2020). In Europe this is known as the ‘no one left behind’ clause, to be addressed by the Just Transition Mechanism.

Green New Deal (GND) plans and programmes come in many shapes and sizes but they all aim at a more integrated programme of environmental and social actions: i.e. ‘eco-social policies’ explicitly intended to enhance *both* welfare and sustainability. They all recognise and foster synergies between a safer climate and better welfare. These include the direct benefits of climate control, such as reducing the harmful impacts of drought, flood and heat, and the co-benefits, such as the health benefits of reduced air pollution and energy poverty. While recognising the job losses that stem from switching from a fossil fuel-based to a renewables-based economy, all GND plans emphasise the opportunities for green jobs and for secure, long-term, socially valued

employment. Most conclude that net employment would increase during the transition (Tooze 2021a).

Around these core tenets, there are, naturally, national and regional variations. For example, the Biden plan extends rights to health care and provides a form of family allowance, policies already taken for granted in much of the OECD world. The EU Green Deal is perhaps the most developed practical programme, providing both a vision and a roadmap. The vision includes a net-zero Europe by 2050, tackling biodiversity loss, a significant investment in the circular economy, ambitious plans for new green jobs, specific plans for housing, transport, agriculture and land, funds for vulnerable regions, and much more. The Green Deal commits the EU to a ‘climate friendly’ investment plan of 1 trillion euros over ten years. In addition, the European Central Bank will provide for another 2.6 trillion euros over the next decade via an asset purchase programme. To put this in perspective, it is about the same as the funds provided by the ECB to bail out banks after the 2007-09 financial crash.

Heavy upfront investment is key to all GND proposals. It represents a significant switch from previous reliance on carbon pricing, regulation and behaviour change (Pettifor 2019).

The latest EU proposal to extend the emissions trading scheme to cover transport and home heating recognises that carbon pricing in these sectors is almost always regressive, disproportionately affecting lower-income households and localities (European Commission 2021). To deal with this problem, it proposes, alongside the already-established Modernisation and Innovation Funds a new Social Climate Fund to aid vulnerable households, micro-enterprises and transport users. This would both a) improve the access of vulnerable households to low-carbon alternatives and b) provide temporary income support to them. Evidence to date suggests that the former (i.e. subsidised and targeted energy efficiency measures) are more effective than cash compensation in terms of both redistribution and decarbonisation (Hills 2012; Gough 2013, 2017a,b).

GNDs inevitably cross over into issues of welfare and jobs because the ‘big three’ necessities – food, housing and transport – are all carbon-intensive. A GND must go far beyond ending the use of fossil fuels and expanding renewables and green electricity. The UK Committee on Climate Change (2020) calls for an extra investment of 50 billion euros each year between now and 2050 (equivalent to 2.5% of present GDP). About half of this will be earmarked for buildings and transport. For example, the UK will need to retrofit 20,000 dwellings every week for 30 years. Such public investment would create an estimated 250,000 new jobs in the UK, which in turn would require a major expansion of training, further education and apprenticeships. Altogether the Trades Union Congress (TUC) estimates that one million new jobs would be created in the UK (Hines and Murphy 2021). Private investors will play a considerable role in some sectors, but a big increase in public investment will also be needed (Tooze 2021a).

This tentative move to a bigger role for governments has been overdetermined by the Covid-19 pandemic, the ubiquitous economic shutdowns and the extraordinary government uplift in spending and deficits in responses to this crisis. The obvious synergies between post-pandemic recovery and decarbonisation have been spelt out, but the ‘greening’ of the recovery has been patchy. An analysis of spending by leading economies, led by Oxford University’s Economic Recovery Project and the UN Environment Programme (UNEP), finds that only 18% of announced recovery spending can be considered ‘green’ (O’Callaghan and Murdock 2021).

This uplift in government spending will require a radical reform of fiscal frameworks, including much greater state borrowing, the creation of a Green Investment Bank and potentially the introduction of ‘green quantitative easing’ – the last is the subject of heated debate at present (Pettifor 2019; Hines 2021), although unfortunately it is beyond the scope of this paper to address this issue. Ultimately, although elements of post-growth thinking enter some GND proposals, at heart they embody a new growth strategy: ‘Climate-smart and inclusive growth’.<sup>1</sup>

## **The social dimension of the GND: a social guarantee**

‘The Commission has presented the first part of the deal – the green part. We must now start fighting for the second package of reforms to complete the deal for the people – the social part, making it a Green New Deal’ (Durá Ferrandis and de Sancho Alonso 2020).

How, if it happens, will this novel expansion of the role of governments impact on social and employment policy? First of all, it will reinforce the case for conserving and rebuilding a great part of existing welfare systems. The Intergovernmental Panel on Climate Change (IPCC) recognised that European welfare and infrastructure systems provide better adaptation and protection against an unstable climate than those of many countries. But this vital buffer has been seriously compromised by the relentless erosion of public services, infrastructure and income support inflicted over the last four decades in the name of neoliberal economics.<sup>2</sup> For this reason, and to address the climate crisis, European welfare states need rethinking.

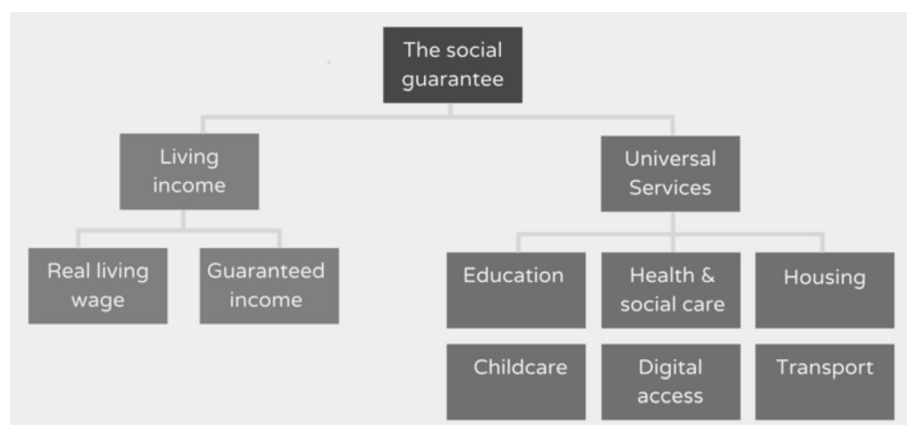
The overarching goal should be to match respect for environmental limits with a new social contract (Shafik 2021). At the European level, the European Pillar of Social Rights could be revised and repurposed (Durá Ferrandis and

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1. This opens up interesting questions about the historic conjuncture: Does it spell the end of the neoliberal era? Does the Next Generation EU programme signify a ‘Hamiltonian moment’ for the EU - a parallel to the 1790 compact in the US that enabled debt to be the catalyst for a stronger federal centre and deeper continental union? (Kaletsky 2020).
  2. This sentence draws on a sweeping summary of trends, variations, movement and contestation in social policy in developed welfare states in Gough 2017b, pp.114-118; and a brief discussion of ‘neo-liberalism’ in *ibid* pp.10-11.

de Sancho Alonso 2020). At a more specific, policy-oriented level, a new UK campaign for a ‘social guarantee’ has been developed: to guarantee to all citizens and residents access to ‘life’s essentials’.

The social guarantee would encompass both cash income and in-kind income, as Figure 1 indicates. On the left-hand side is cash income, derived from employment, fair wages and an income guarantee. On the right-hand side is ‘social’, in-kind income derived from existing universal services, as well as proposals for an extension to other conventional basic necessities, including housing, adult and social care, basic transport services and digital access. This extension of direct provision has become known as ‘universal basic services’ (UBS).

Figure 1 The social guarantee



Source: <https://www.socialguarantee.org/>

The campaign for UBS grew out of a concern with increasingly widespread endorsement of ‘universal basic income’ (UBI) as an alleged solution to problems of poverty, unemployment and deteriorating welfare states, especially after the Covid-19 pandemic. Universal basic services offers an approach that shares some of the goals of progressive advocates of UBI, but is embedded in a different ideology and has widely different practical implications. It seeks to reclaim and develop the collective ideal that inspired the creation of welfare states in the post-war era. UBS embodies transactions that are public, shared and largely de-commodified, rather than private, individual and marketised (IGP 2017; Coote and Percy 2020, Coote and Yazici 2021).

On the ‘living income’ (left-hand) side, the relevant policy options can be expanded to include: job guarantees; fair wages; and guaranteed minimum income.

## Job guarantee

Campaigns for a state-guaranteed provision of employment have re-emerged in recent years and most notably in the post-Covid era. Governments acted fast to establish or expand job retention schemes of various kinds to counter the massive disruption of general lockdowns. There are now calls for a more permanent job guarantee, for example from the UK's TUC. In the EU, the Youth Guarantee scheme, introduced in 2013, is to be 'reinforced', aiming to ensure that all young people have an offer of employment, vocational training, an apprenticeship or further education.

However, critics point to dangerous parallels with earlier workfare programmes trapping people in 'make-work' jobs and/or 'endless retraining'. Regional and local capacities to create, manage and monitor such job schemes have also been called into question, while public service unions fear they would displace existing public service jobs. The ETUC has called for quality, long-term jobs to counter these threats. In the GND framework discussed here, a job guarantee would need to transcend rather than reinforce the present employment structure.

## Fair wages

This traditional demand of trades unions continues to be threatened by low rates of union membership, uneven coverage of collective agreements, and in many countries by the absence of worker representatives on management boards. Calls to strengthen the EU Directive on minimum wages and to ensure it is above the 'threshold for decency' are among recent policy demands.

## Guaranteed minimum income

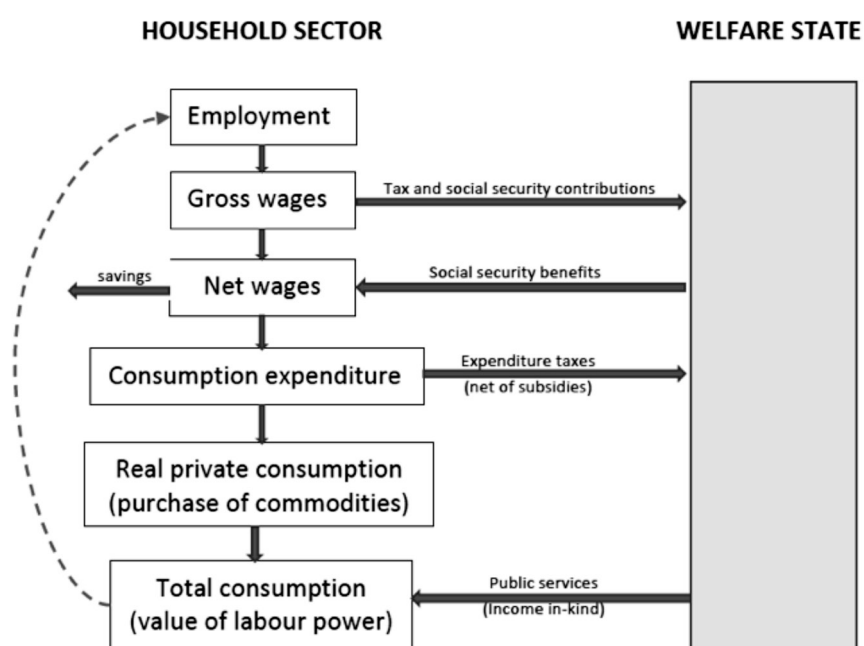
In recent years, calls for a UBI have gained some ground, proposing blanket unconditional payments to all residents of a territory. However, the critique remains that a pure UBI set at minimum income standards would absorb such a dramatic share of GDP that it would crowd out existing public services, let alone a wider UBS scheme (Martinelli 2017; Coote and Yaziki 2019; the recent Report of the British Columbia Expert Panel on Basic Income, 2021, presents a detailed rebuttal of the case for UBI). For this reason, the cash benefit portion of a guaranteed standard of living would necessarily have to be more targeted whilst still rights-based. The New Economics Foundation has proposed a 'minimum income guarantee', which would avoid the indignities of means-testing by paying money automatically to those who claim it, with over-payments recouped, if necessary, through taxation the following year (Stirling and Arnold, 2020).

## Universal basic services

On the right-hand side of Figure 1 are public benefits in kind, both present and proposed, which together form a ‘social wage’. UBS advocates a wider range of free or subsidised public services enabling every citizen to meet their basic needs and achieve certain levels of security, opportunity, and participation. In many countries, public health services, schools and higher education are founded on these goals, despite cuts, attacks and ongoing disputes over core principles. UBS poses the question: can we extend these principles to other basic necessities, such as housing, care, transport and information (Portes et al. 2017; Gough 2019b, 2020c; Coote and Percy 2020)? Further specification of UBS beyond this general definition is discussed below.

To clarify some implications of these transformations for the ‘welfare state’, this paper utilises an earlier political economy analysis of the way the welfare state influences both the reproduction and the value of labour power (Gough 1979). The welfare state modifies the transformation of labour and wages into final real living standards, which then feeds back to employment and the productivity of labour in the process of production. Figure 2 tracks the monetised resource flows between the household and state sectors in a capitalist economy, showing how employment that generates wages is then modified by the tax and welfare state to generate final levels of consumption or real income.

Figure 2 Household sector–welfare state flows: a simplified model



Source: Modified from Gough 1979, Table 6.1 and pp.109, 115

This framework takes account only of paid labour and ignores the domain of unpaid labour, also crucial for the reproduction of labour power. In addition, the ‘welfare state’ consists of many other state interventions that legislate, regulate, set standards and so on, which constrain private actors and profoundly affect the wellbeing of groups and individuals.

However, the modification of resource flows in the labour market and household sectors remains a central role of the welfare state. This modification takes place not only via taxes and social benefits, but crucially also by state-provided services in kind. These state services are directly consumed as use value. They constitute ‘collective consumption’ and are conceptually distinct from the use of cash benefits to purchase commodities. This distinction informs the case for UBS, discussed below.

Figure 3 (below) uses this framework to summarise and organise a variety of proposals currently circulating to reform contemporary welfare states.

Figure 3 Comparing existing and proposed welfare state interventions

Household sector	Present welfare state interventions: examples	Progressive policy proposals
Employment	Activation policies	Job guarantee Jobs-oriented stimulus (UBS)
Gross wages, salaries, other earnings	Minimum wages	Minimum and fair wage policies Strengthening trade unions and collective bargaining
(Minus) taxes on earnings	Income taxes, social security contributions	Reform of taxation of earned and unearned income (plus new taxes on wealth, land, corporations, pollution)
Disposable incomes	Income support, pensions, other cash benefits, housing benefit, etc.	Guaranteed minimum income (GMI) (Universal Basic Income: UBI)
(Minus) consumption taxes and duties	VAT Specific duties	New duties, e.g. frequent flyer levies Smart VAT Social tariffs for utilities
(Plus) public services and other in-kind benefits	Health service, education, subsidies, other benefits in kind	Universal basic services (UBS): strengthen existing in-kind benefits and extend to social care, child care, housing, transport, internet services, etc.

→ Final ‘real’ income = private + social consumption

## Integrating universal basic services into a Green New Deal

There is a strong case for UBS as a principled framework to support a GND. The core idea is to guarantee entitlement to life’s essentials. Public service trade unions consider the time now right for a major push for ‘universal



quality public services’ (PSI 2021). UBS provides the ‘social’ counterpart to the environmental thrust of GND, on four main aspects: redistribution, environment, solidarity and employment (Gough 2019b; Coote and Percy 2020).

## Redistribution

Tax-financed social consumption such as health services, social care and education is inherently redistributive: this means allocation according to need, risk or residency, not market demand, and it automatically serves redistributive social goals – even when the tax system is neutral rather than progressive. An earlier OECD study found that existing public services are worth the equivalent of a huge 76 per cent of the post-tax income of the poorest quintile compared with just 14 per cent of the richest. Public services also reduce income inequality by between one fifth and one third depending on the inequality measure (Verbist et al. 2012).<sup>3</sup> Estimates by Reed (2017) find a similar redistributive effect were bus travel to be made free in the UK.

## Sustainability and climate mitigation

At the same time, research suggests that the integrated public provision of certain services enhances climate resilience and sustainability. For example, the per capita carbon footprint of market-dominated healthcare in the US is more than three times greater than in France, Sweden, Spain and Italy (Pichler et al. 2019). This is due both to the greater macro-efficiency and lower expenditure shares of comprehensive national health systems and to lower emissions per pound or euro spent, thanks to a better allocation of resources and procurement practices. Reliance on market-steered health systems generates more duplication and waste alongside greater health inequality.

Climate science is now lending weight to these arguments. All climate modelling shows that a safe climate cannot be achieved by relying solely on pricing and present-day supply-side technologies. In the face of this there is a growing call for complementary ‘demand-side’ approaches (Creutzig et al. 2018). For example, the Improve-Shift-Avoid<sup>4</sup> (ISA) framework developed to evaluate transport options envisages increasingly radical steps to alter the consumption demand for essential services. It proposes a shift from Improve (e.g. a switch to electric cars), to Shift (alternative forms of transport, such as walking, cycling and public transit) to Avoid (reducing the overall need for travel via homeworking, online seminars, online shopping, and redesigned towns). Demand-side policies avoid high-risk technologies, such as bioenergy, and can directly contribute to human wellbeing. The framework is now being

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3. Such estimates depend on assumptions regarding equivalence scales and the out-of-pocket costs that specific household types face to access essential goods and services (e.g. Penne et al. 2018).

4. Originally framed as Avoid-Shift-Improve (ASI), but ISA makes more sense in my view.

applied to other intermediate needs, such as food and housing (Brand-Correa et al. 2020).

## Solidarity

This paper takes solidarity to mean feelings of sympathy and responsibility between people that promote mutual support. It is an inclusive process, not just within well-acquainted groups but also, crucially, between people who are ‘strangers’ to each other. The nature of UBS gives it the potential to develop this sense of solidarity within the community at large. It can give content to the EU’s long-standing goal of economic and social ‘cohesion’: combining a free market economy with ‘a commitment to the values of internal solidarity and mutual support which ensures open access for all members of society to services of general benefit and protection. The geographical spread of basic services and the foundational economy (discussed below) both improves geographical equality and helps spread prosperity. Some have argued that public services crowd out social capital, but there is much evidence that contradicts this hypothesis, including the fact that Nordic-style welfare regimes, where there are more universal services, tend to have higher levels of social bonding and social capital (Lynch and Kalaitzake 2018; van Oorschot and Arts 2005).

## Jobs

The combination of UBS and a GND would provide many good, well-paid jobs together with extensive training – certainly more meaningful jobs than a crudely applied job guarantee. These jobs would be at all skill levels, long-term and evenly distributed across regions. But they would extend well beyond traditional green jobs, notably in the direction of care. Many jobs in universal services – in caring and teaching for example – depend on human relationships that cannot be usurped by robotics or artificial intelligence, and most have a relatively small ecological footprint. When jobs are in public services and employers are subject to public interest obligations (covering pay and conditions for workers), they are likely to be less precarious than many jobs in the private sector (PSI 2021).

Though UBS is an essentially national strategy, it can be undertaken at the level of cities and other decentralised authorities, unlike cash transfer programmes that are largely financed and administered at central level. Local governments can more effectively achieve horizontal coordination across economic, social and environmental agencies: eco-social programmes are now emerging, for example in Leeds and the London borough of Camden in the UK. The UBS framework can combine the vertical and horizontal coordination required for an effective eco-welfare state (Martínez Franzoni and Sánchez-Ancochea 2016).

Clearly, food, housing, social care, digital access and transport, while all essentials, are very different things, so there can be no uniform formula to implement UBS. The means of satisfying life's essentials range across a spectrum, from direct market provision and consumer purchase (such as food) at one end to collective provision (such as health care and education) at the other, with other essentials (such as basic housing) requiring a mixture. But even in the case of predominantly market provision, collective measures – such as investment, subsidy, and regulation – are required to ensure, for example, that nutritious food is universally accessible, affordable, of sufficient quality, and sustainable. In sectors such as food and basic banking the Foundational Economy Collective (2018:111) proposes for the UK a system of social licencing and public interest obligations that would make the right to trade dependent on 'providing a service, plus meeting negotiated criteria of community responsibility on issues such as sourcing, training and payment of living wages'. This follows current practice in many European countries.

European nations differ widely in the extent to which they supply good quality and accessible services to citizens and residents across different domains. Indeed Europe provides an excellent laboratory of public and collective services in which to identify bad, good and best practices (Coote and Percy 2020). Consequently, national estimates of shortfalls vary, as do estimates of the extra cost of implementing an acceptable UBS programme. The likely costs for implementation in the UK are around 5% of GDP. This is a substantial figure, but in part would overlap with the costs associated with the GND.

How this could be financed will also vary, but certain rules can already be stipulated. Current costs should be covered by taxation, but taxes should shift from goods to 'bads' and luxuries. New taxes should be investigated on wealth, land, data, inheritance, unhealthy consumption, financial transactions and pollution (de Muijnck 2021). Infrastructure capital costs should be financed by borrowing and bond finance, as discussed above. Finally, some social provisions, such as further education, retraining and care could be regarded as capital rather than current costs and thus financed by borrowing (WBG 2021).

The unifying principle is to provide collective entitlements to necessities and, where justified, to extend collective or socially guided provisioning. The social guarantee and UBS provide an essential complement to a GND. Trade unions played an important role in securing a commitment to UBS in the UK Labour Party in 2019 and in integrating it into an ambitious GND. Could it form the centrepiece of a union-led transition to a sustainable wellbeing economy?

## Scenario 2: Towards an economy of egalitarian sufficiency

### Introduction

The first scenario would take us a good way towards a more just and sustainable economy. It would also guarantee a social security floor – the provision of essentials to residents whilst developing eco-social approaches to reducing emissions and environmental harms. But it would not take us anywhere near ‘net zero’ by 2050. The most recent IPCC estimate of the available global carbon budget<sup>5</sup> (from the end of 2017) that would offer a 66% chance of remaining within the 1.5°C warming target is 420 gigatonnes (Gt) CO<sub>2</sub> (billion tonnes of CO<sub>2</sub>). A simple pro rata allocation of this budget suggests that the UK’s share should be about 2.9 GtCO<sub>2</sub>. In 2018 the UK’s consumption-based emissions were around 590 megatonnes CO<sub>2</sub>, suggesting that the UK’s right to emit any carbon would be exhausted within five years. At present the annual consumption emissions of the average person in the UK is 12.1 tonnes – way above a safe 1.5 or 2 tonne limit.

This calculation of the available carbon budget for developed nations does not take into account their historic responsibility for past emissions. Hickel (2020) estimates that the global North accounts for 92% of ‘excessive emissions’ since 1850 – calculated by deducting from actual emissions a ‘national fair share’ to which all peoples are entitled. Anderson et al. (2019) also point out that global climate models have come to increasingly rely on the extensive deployment of highly speculative negative emissions technologies, such as BECCS (bioenergy with carbon capture and storage), implying that actual emissions will need to fall faster. The conclusion is that rates of emissions reduction in the developed world will need to approach 10% per annum to achieve net zero. This is clearly impossible relying only on technological and supply-side improvements. As argued above in the discussion on basic services, substantial reductions in high-carbon demand in rich countries will also be necessary.

Yet many trends are working in the opposite direction. Consider for example the extraordinary spread of sport utility vehicles (SUVs) across the advanced

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5. The amount of carbon that can be emitted into the atmosphere from now until the end of this century, usually measured in terms of tonnes of carbon dioxide (CO<sub>2</sub>) or, better, CO<sub>2</sub> equivalent including other greenhouse gases (CO<sub>2</sub>e).

capitalist world and among upper income groups in the global South. Between 2010 and 2018, this growing epidemic was the second-largest contributor to global carbon dioxide emissions in the world, behind only the energy industry (IEA 2021). The surge in ownership of SUVs has more than cancelled out the improved carbon efficiency of the entire car fleet. A report by the World Bank (2010) estimated that if the 40 million SUVs in USA were changed for average cars, all 1.6 billion people in the world could have electricity without more emissions. This is just one example where the untrammelled pursuit of individual preferences in the context of private production systems and egregious inequality undermines the goal of meeting common human needs.

This lends support for a ‘contract and converge’ approach at the global level. But simply expounding the moral ecological case for sufficiency at the global level does not solve the dilemmas *within* rich nations. To move quickly to a target of two tonnes of CO<sub>2</sub> per head within existing socio-technical structures would deprive citizens of a vast range of goods and services – housing standards, personal transport, a range of clothing, a choice of nutritious diets, and so forth – that current minimum income studies have agreed are necessary for effective participation in modern life (Davis et al. 2015). The class dimension of consumption and ecological responsibility within the developed world must be tackled simultaneously or a grave injustice will be perpetrated in the name of ‘saving the planet’ (Gough 2017b).

To handle these contradictions this paper argues that we must transition to an economy of ‘egalitarian sufficiency’.

## **Basic concepts for sufficiency: from wants to needs**

A common dictionary definition of sufficiency is ‘enough means to meet one’s needs’. The idea of sufficiency, meanwhile, has no meaning in orthodox economic theory, where market demand is driven by consumer preferences backed with money; the theorised goal is individuals maximising their utility, or nowadays their ‘happiness’. A conceptual digression is therefore necessary at this point.

The concept of need is central to the famous Brundtland definition of sustainable development, as meeting ‘the needs of the present without compromising the ability of future generations to meet their own needs’ (WCED 1987). It would not make sense for the Brundtland report to have written ‘Sustainable development is development that meets the wants/preferences of the present without compromising the ability of future generations to meet their own wants or preferences’. The wants of people have no definable limits, whilst by definition the preferences of future generations cannot be known.

To make sense of sufficiency requires a distinct *eudaimonic* conception of wellbeing, one centred around the idea of universal human needs (Büchse and Koch 2017; Di Giulio and Defila 2019). The theory of human needs

developed by Len Doyal and myself (1991) can provide a cross-cultural and cross-generational concept of welfare today (Gough 2015, 2017a, 2017b, 2020; Holden et al. 2018, chapter 2; Steinberger 2020). It is roughly summarised here in five theorems.

**Human needs are universal.** All individuals, everywhere in the world, present and future, have certain basic needs. There is considerable theoretical agreement on three basic human needs: health, autonomy and participation. These must be met in order for people to avoid harm, to participate in society and to reflect critically upon the conditions in which they find themselves. This is not the same as subjective feelings like anxiety or unhappiness. The theorem refers to functions, not feelings. These basic needs in turn can justify a second-order range of intermediate needs – both material, such as nutritional food, protective shelter, healthcare and education, and non-material, such as security in childhood, meaningful relationships and effective social participation. Such needs possess five theoretical features that aid us in identifying sustainable wellbeing: they are objective, plural, non-substitutable, satiable and cross-generational.

**Universal needs differ from specific ‘need satisfiers’.** Universal needs must be distinguished from ‘need satisfiers’, which are variable and specific. Need satisfiers comprise the goods, services, activities and relationships that contribute to need satisfaction in any particular context. The need for food and shelter applies to all peoples, but there are a large variety of cuisines and forms of dwelling that can meet any given specification of nutrition and protection from the elements. It is essential to draw a sharp distinction between universal needs and specific satisfiers. Without it, need theory could justly be accused of being paternalist, intrusive and insensitive to context and culture. ‘Necessities’ then designate the set of goods and services considered an acceptable minimum for satisfying human needs in a particular society. This sets up a distinction between necessities, conventional goods and ‘luxuries’ or surplus goods.

**Identifying necessities requires a distinct collective process.** How can such a discourse on need satisfiers be pursued in a democratic society, let alone any consensus be reached? There is increasing recognition of the role that new forms of dialogic democracy, such as citizen forums, can play here: bringing together citizens and experts in a space as open, as democratic, and as free of vested interests as possible. To identify social need satisfiers entails a system shift from aggregating preferences to solving collective problems. Need satisfiers will be identified in a conscious collective process – quite different to the isolated, individual process of revealing preferences in markets. More is said about this below.

**Human needs provide the intellectual and moral foundations for social rights and duties.** The long-standing UN covenants on human rights were in 2015 augmented by the comprehensive Sustainable Development Goals (SDGs) (Gough 2017b: 53-56). The 2021 Action Plan to enact the European Pillar of Social Rights is another step forward, although

it has been criticised as inadequate by the European Public Services Union. Public Services International, meanwhile, has endorsed a programme of ‘Universal Quality Public Services’ as a route towards implementing a needs-based rights approach (PSI 2020).

**Needs and need satisfiers are intrinsically satiable.** There comes a point when sufficiency is reached in the process of meeting needs, and when we can moreover envisage what sufficiency will mean for our children and future generations. In an era of extreme environmental stress, sufficiency is also a more precautionary economic rule than maximisation. In the Anthropocene<sup>6</sup>, meeting people’s basic needs should be the first priority for social justice; the prior obligations of rich nations to cut emissions and bear the initial burdens of adaptation and mitigation are in line with almost all ethical principles. Egalitarian sufficiency implies a normative rule: ‘Human needs, present and future, trump present (and future) consumer preferences’ (Gough 2017a, 4).

## Defining floors and ceilings

This needs-sufficiency framework can help us to unify the pursuit of equality and of sustainability. It enables us to identify a new dimension of consumption: the ‘necessitousness’ of various goods and services: whether they are essential, or non-essential but desirable, or ‘luxurious’/wasteful (Gough 2019a, 2020b). This entails a threefold distinction between necessities, conventional goods and luxuries<sup>7</sup>. It returns us to the two boundaries – upper and lower – that encompass Raworth’s (2017) ‘safe and just space’ for humanity.

Figure 4 depicts this ‘economy of sufficiency’ with its ‘floors and ceilings’ across the three domains of income, consumption, and labour/production.

Figure 4 Floors and ceilings in three domains

Income and wealth	Consumption	Labour
Riches	Luxuries	Unproductive
<b>Ceiling (above which surplus)</b>		
Prosperity	Comforts	Conventional
<b>Floor</b>		
Decent minimum	Necessities	Essential

6. This summarises an extensive literature on sufficiency, justice and needs. For a recent survey see Brock (2018).

7. In Chapter 7 of *Heat, Greed and Human Need*, I envisage only a dichotomy between necessities and luxuries.



Floors refer to the necessities of life, the work that generates them and the minimum decent incomes required to access them. These floors have been extensively studied in the social policy tradition. Recent research to operationalise them has used focus groups advised by various experts, as for example in the UK Minimum Income Standard studies (Davis et al. 2015) and the EU ‘reference budgets’ approach (Goedemé et al. 2015a, 2015b; Storms et al. 2014). The minimum decent consumption bundles and income standards they arrive at are more generous than most official levels of income support. This is the focus of Scenario 1 and its provision of ‘life’s essentials’.

However, to ensure decent standards in a climate-constrained world requires maxima as well as minima. Ceilings thus refer to limits:

- to income and wealth that exceeds any conceivable requirements for human flourishing;
- to consumption of high-carbon luxuries that cannot be generalised to a wider population; and
- to labour and employment that hinders provisioning and destroys social value.

The ‘in-between’ domain then refers to the remainder of conventional employment, consumption of ‘comfort goods’ and incomes for ‘prosperity’. The needs-sufficiency approach is not puritanical: it recognises the vast range of conventional activities that contribute to a rich notion of flourishing. But this strengthens the case even more for some upper limits. Ingrid Robeyns (2018) develops a similar case for ‘limitarianism’: the argument that it is not permissible to have resources that exceed what are needed to fully flourish in life. All goods and activities that aid human flourishing are acceptable and welcomed, but ‘riches’ and ‘luxuries’ are, by definition, surplus to flourishing.

The employment goal of an economy of sufficiency would be to prioritise the essential, reconfigure the conventional and shrink the ‘unproductive’. The consumption and income goals of an economy of sufficiency would aim to restrain ‘riches’ and direct consumption away from ‘luxuries’. To do this requires a rethinking of the economic theory of value, utilising the two frameworks introduced above.

Can we envisage a maximum or ceiling to consumption? Antonietta Di Giulio and Doris Fuchs (2014) have proposed the idea of a sustainable ‘consumption corridor’ between minimum standards (allowing every individual to live a satisfactory life) and maximum standards (ensuring a limit on every individual’s use of natural and social resources in order to guarantee a good life for others in the present and in the future). A recent book by Fuchs et al. (2021) provides existing examples of consumption policies that pursue the corridor approach.

However, to speak of luxuries, riches and limits is to enter disputed territory, even in an era of escalating inequality in income and wealth distribution. How can such a debate be pursued, let alone consensus be achieved, in a democratic



yet hyper-consumption society? How can such a framework be integrated with trade union policy and action? These are big questions, but two contemporary developments can be noted that suggest a shift is underway, one the outcome of the Covid-19 pandemic and lockdown, the other the result of the imminent climate emergency.

**Government lists of essential workers.** In March 2020 the UK government produced a list of ‘essential occupations’ with special privileges during pandemic-related restrictions (Gough 2020a). The list extends way beyond health and social care or emergency services to include farmers, supermarket staff, delivery workers, workers in water, electricity, gas and oil, teachers, telecommunication workers, transport staff, workers in law and justice, religious staff, social security staff and retail banking staff. Other governments produced similar lists, with some, such as the Irish, including supply chain workers furnishing provisions to key workers.

Whether intended or not, these lists signalled a notable shift in thinking in two ways. First, they questioned the dominant neo-classical value theory, where any activity is deemed valuable or productive if it is remunerated, whatever its social value or disvalue. For the first time since the Second World War governments have been forced to distinguish a subset of useful labour and, implicitly, ‘need satisfiers’. Second, the evidence of low pay levels for many key workers (IFS 2020) demonstrated the dramatic gap between market valuation and social or normative valuation of different forms of labour. This implicit valuation of different jobs in the labour market could mark a step forward in sustainable and egalitarian discourses.

**Citizen climate assemblies.** These assemblies in, for instance, France and the UK have proposed quite radical constraints on consumption to ensure a just transition to net zero (Carnegie Europe 2020). They illustrate alternative forms of dialogic democracy that bring together citizens and experts in a space as open, as democratic, and as free of vested interests as possible. For example, the *Convention Citoyenne pour le Climat* was tasked to decide on policies to achieve a 40% reduction in France’s GHG emissions by 2030 ‘in a spirit of social justice’. It comprised 150 randomly selected but representative citizens, who were advised by a series of experts, and it met over nine months.

By the end it had achieved consensus on 149 proposals. Some of these signal a road to sufficiency, including the fast and mandatory retrofit of the least energy-efficient buildings by 2030, the implementation of a ban on high-emission vehicles by 2025 (the earliest date offered to the convention), a mandate to display GHG emissions on all goods in shops and advertisements, a prohibition on advertising high GHG emissions products, and limits on the use of heating and air conditioning in housing, public spaces and all other buildings. It should be stressed that every recommendation was backed by a substantial majority of all convention members, many receiving over 95% support. This must mean that many convention members initially sceptical of climate change voted to support these measures (Saujot et al. 2020; see also Carnegie Europe 2020). Citizens’ climate assemblies are now developing

within many cities and regions. For example, in the UK at least 11 councils are now using citizens' assemblies to drive climate action<sup>8</sup> and Wales has hosted two on social care.<sup>9</sup>

The French convention was noteworthy because the government committed from the start to put forward its proposals for legal adoption – without changes – via referendum, parliamentary vote, or executive order. This is an unprecedented commitment for a citizen's assembly and makes it a leading example of introducing dialogic democracy into determining climate action, though we should not be naïve about the obstacles on the way. It signals one way forward to combine participatory and representative democracy, as advocated more generally by the New Economics Foundation (Coote 2017).

In these two ways both Covid-19 and climate breakdown are pushing decision-making in new directions by questioning values and priorities. This report briefly concludes by calling for such insights to be applied to policies on jobs, incomes and welfare.

## **Jobs and the labour market**

To place restraints on waste, throwaway consumption and luxury production will cost jobs. But the shrinking of some sectors will be accompanied by the expansion of others. At this point, another theoretical innovation comes into play: the idea of a foundational economy (Foundational Economy Collective 2018). This challenges the dominant view of the economy as a uniform space within which nameless and substitutable commodities are produced, exchanged and consumed. Instead it identifies distinct economic zones, in which the foundational economy stands out as the most essential. Our everyday life in civilized societies depends upon it: electricity, water, sewerage, garbage disposal, food supply and distribution, health services, pharmacies, care, public transport, education, social housing, emergency services and public administration (Foundational Economy Collective 2018). The foundational economy is relatively sheltered from international competition. It generates more than 40 per cent of all jobs – jobs that are almost entirely locally and regionally anchored. The idea of a foundational economy has many parallels with the idea of basic needs and necessities (Gough 2019b) and also provides an important rationale for the project of universal basic services, discussed above.

This in turn has inspired a wider conception of a 'zonal economy' as illustrated in Figure 5 (Krisch et al. 2020).

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8. (<https://www.involve.org.uk/citizens-assembly-tracker>). <https://www.climateassembly.uk/about/citizens-assemblies/>

9. <https://www.climateassembly.uk/> and <https://gov.wales/understanding-social-care-experiences-citizens-citizens-jury-report-2020>

Figure 5 A map of economic zones

Economic Zones					
Unpaid	Monetarized activities, registered in national accounts				
Unpaid sector - private households	Everyday Economy			Export-oriented Market Economy	Rentier Economy
	Foundational Economy		Non-essential local provision		
	Public Services & Infrastructure	Essential local provision			
Examples					
Unpaid care of family members	Health, Energy	Food, Banking	Restaurant, Hairdresser	Automotive supplies	Stock-/Real Estate market
Future-proof Policies					
Revaluation/ payment or shift to foundational economy	Expansion	Expansion	Expansion	Conversion	Shrinking

Source: Krisch et al. 2020

The idea of the zonal economy can form the basis for a new progressive and discriminatory economic policy along the following lines (based on my own perspective which differs somewhat from those of the authors):

1. Rentier/predatory economy: regulate and shrink;
2. Competitive traded market sector: support but redirect;
3. Non-essential market provision: foster and convert;
4. The foundational economy: invest and expand;
5. Universal basic services: invest and expand;
6. Recognise the core economy: support and redistribute unpaid labour.

Zones 4 and 5 have been discussed above. Zone 3 is not commented on here, but zones 1, 2 and 6 are.

**Competitive traded market economy.** The dominant focus of industrial policy today is on high-tech competitive sectors. For example, Mazzucato’s (2021) idea of mission-focused industrial policy advocates early stage innovation via closer cooperation and strategic planning between private and public actors with more rewards for public financing. Yet the numbers of potential jobs created is a small fraction of those in the foundational economy pursuing a GND-UBS path. And these will grow in a small number of favoured cities and free trade zones, unlike the more even geographical spread of foundational programmes. Classic industrial policy along these lines will of course need to continue in the EU, centred around world-leading sectors such as autos, aerospace and pharmaceuticals, as argued by industrial representatives.

The argument here is that the transition should be driven and given direction by the requirements of an expanded foundational economy and eco-welfare state and the goal of sufficiency. For example, research on the political economy of car dependence illustrates the interdependence between the zones and the consequent difficulty of moving away from a car-dominated, high-carbon transport system (Mattioli et al. 2020). Using a ‘systems of provision’ approach it identifies five key elements of the current systems: i) the automotive industry; ii) the provision of car infrastructure; iii) the political economy of urban sprawl; iv) the provision of public transport; v) cultures of car consumption. It is the linkages between these processes that are crucial to maintaining car dependence and thus create carbon lock-in. To transit to an egalitarian sufficiency economy would require integrating approaches to the international and foundational sectors.

**The unpaid ‘core economy’.** The core economy – of fundamental importance in reproducing capitalism through care work, as long analysed by feminist economics – would need to be addressed more directly and integrated with thinking on UBS. Many tasks common to both the core economy and parts of UBS – in caring and teaching for example – have a relatively small ecological footprint, either because they are primarily relational or because they are embedded in organisations committed to sustainable practice.<sup>10</sup> Creative, cultural and care work would be expected to expand as part of recomposing consumption and work for a sustainable economy (Jackson 2021). An eco-social transformation can pursue ways of recognising paid and unpaid care work as central components of both the money economy and other systems that sustain wellbeing. This could reduce the social and ecological costs of privatised social reproduction and redistribute it more fairly within society (Elson 2017; WBG 2021). This augments the case for UBS made earlier.

**The unproductive zone.** This includes a range of inessential or unproductive labour (at the top of Figure 3) that would need to be curbed to prevent wasteful emissions and to free resources for essential and conventional production. A pioneering social valuation of occupations by the New Economics Foundation (Lawlor et al. 2009) illustrated what is at stake here. Childcare workers were estimated to generate between 7 and 9.50 pounds of benefits to society for every 1 pound they are paid, and waste recycling workers 12 pounds. Against this were occupations that actively destroy social value by reducing taxes paid by the rich (tax accountants, for example, destroyed 47 pounds of social value for every 1 pound paid) or by generating gross economic and social insecurity (investment bankers destroyed 7 pounds of social value for every 1 pound paid). We are here at the fringes of practical politics, yet there is a remarkable range of ideas and research to draw on: ‘socially useless finance’ (Adair Turner 2012); rent-seeking (Mazzucato 2018); ‘guard labour’ and the ‘garrison

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<sup>10</sup> A study of ‘material footprints’ in Wales found that personal services like health, education and care accounted for only 8% of the total, compared with the Big 3 material need satisfiers - food, housing and transport - that used 60% of the total (SEI 2015).

economy’ (Jayadev and Bowles 2006); ‘bullshit jobs’ (Graeber 2018). It would be useful to start confronting and researching the scale of this ‘unproductive’ labour, which threatens social wellbeing and ecological sustainability.

This sketch indicates what a more comprehensive labour market policy might look like, if the goal is an economy of egalitarian sufficiency. Such restructuring could be combined with a general reduction in hours of paid work, widely recognised as an effective eco-social policy.

### Summary implications for welfare state

The second scenario, to address inequality, recompose consumption and transit to a needs-based economy, also entails a welfare state with much broader competencies and powers, building on the radical reforms of Scenario 1. Figure 6 returns to the model developed earlier and illustrates potential eco-social policies for Scenario 2 alongside Scenario 1.

Figure 6 Expanded eco-welfare state interventions for a sufficiency economy

Household account	Scenario 1 proposals	Scenario 2 proposals
Employment	Jobs-oriented GND and UBS stimulus Job guarantee?	Expand UBS and foundational economy Recognise and, where relevant, integrate policies on the unpaid economy Reduce hours of work Shrink financial, rentier, luxury, wasteful and unproductive employment
Gross incomes	Real living wage	Fair pay ratios in corporations and other institutions Implement ceilings on income Redistribute wealth
Disposable incomes	Guaranteed minimum income Progressive tax options	Guaranteed minimum income Progressive tax options
In-kind benefits	UBS: expanded social consumption	Further expand public services Shrink luxury and high-carbon consumption

→ Private + social consumption = final real standard of living (in monetary and imputed terms)

For clarity, this figure omits the countervailing tax flows included in Figure 3.

These ideas in Scenario 2 hopefully integrate and add to many existing ideas in trade union and other discussions around the socio-ecological contract in progressive policy circles.

## Conclusion

The Anthropocene will force some drastic transformations to existing welfare states. This paper has distinguished two scenarios. The first envisages the widespread uptake of Green New Deal programmes, which entail a substantial increase in green capital spending, both private and public. To ensure an acceptable level of human security and wellbeing through this period of transition a social guarantee should be enacted: an eco-social contract to reform the welfare state. In particular, the public and collective provision of essential goods and services should be guaranteed and extended. This combined scenario would reverse the neoliberal austerity project of the last decade but would not be incompatible with emerging trends in post-austerity capitalism.

The second scenario would recognise the extensive and urgent obligations of rich country welfare states to contribute to decarbonisation on a global scale. This would require tackling consumption patterns that are unsustainable, but to do so in a fair way that preserves consumption of necessities and other activities that enhance flourishing. Such an economy of sufficiency would begin to address the ‘ceilings’ of luxury consumption, excessive wealth and unproductive labour. The second scenario would challenge some central pillars of capitalist society, notably its underlying theory of value. Contemporary developments regarding Covid-19 and climate change offer some hopeful harbingers of this more radical rethinking of the welfare state.

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All links were checked on 13 October 2021.



**European  
Trade Union Institute**

Bd du Roi Albert II, 5  
1210 Brussels  
Belgium  
+32 (0)2 224 04 70  
etui@etui.org  
www.etui.org