

The Welfare State and Pressures to Reform.

A Literature Review

Dorian R. Woods

dorian.woods@uni-tuebingen.de

Institut für Politikwissenschaft

Professur für politische Wirtschaftslehre

Melanchthonstr. 36

72074 Tübingen

<http://www.sowi.uni-tuebingen.de/wip>

EBERHARD KARLS

UNIVERSITÄT
TÜBINGEN



Zur Autorin:

Dr. Dorian R. Woods ist Dozentin an der Eberhard Karls Universität Tübingen.

ISSN 1614-5925

© Tübingen 2007

Dorian R. Woods

Hinweis zu den Nutzungsbedingungen:

Nur für nichtkommerzielle Zwecke im Bereich der wissenschaftlichen Forschung und Lehre und ausschließlich in der von der WiP-Redaktion veröffentlichten Fassung – vollständig und unverändert! – darf dieses Dokument von Dritten weitergegeben sowie öffentlich zugänglich gemacht werden.

Abstract

The welfare state has been challenged with new social risks in a post-industrial era. The extent of such pressures are evident in child and elderly care, women's employment, unemployment, trends to an aging population, and migration, among other pressures of change. This literature review illustrates the spectrum of such risks as well as the academic and political discussions, the way in which strategies of welfare state adaptation have been analyzed, as well as possible future directions of reform.

Im postindustriellen Zeitalter werden Wohlfahrtsstaaten durch neue soziale Risiken herausgefordert. Das Ausmaß dieser neuen Entwicklung wird – neben anderen Formen des Anpassungsdrucks – deutlich im Bereich Kinder- und Altenfürsorge, Frauenerwerbstätigkeit und Arbeitslosigkeit, der Entwicklung zu einer alternden Bevölkerung und im Bereich Migration.

Dieser Literaturreview verdeutlicht die Vielfalt dieser Risiken und die akademischen und politischen Diskurse zu den Anpassungsstrategien und möglichen Richtungen und Wege zur Reform der Wohlfahrtsstaaten.

Inhaltsverzeichnis

Abstract	3
1 Introduction.....	5
2 New Social Risks	8
2.1 Child and elderly care	9
2.2 Women's employment and social risks	11
2.3 Unemployment, social exclusion, and transition into paid work.....	13
2.4 Aging population	16
2.5 Migration.....	19
2.6 More challenges that lie ahead.....	22
3 Reform: which direction?	24
4 Conclusion	26

1 Introduction¹

The role of the welfare state is crucial in the organization of society and markets, and policy reformers have reached a new consciousness of the serious and difficult tasks ahead. Even Milton Friedman, who promoted the freedom of the market, did not advocate a pure market solution for a competitive and prosperous society (Friedman 1962: 7-21). A careful planning of goals, an understanding of how the welfare state must actively achieve its goals, and a consideration of how its influence will be best used to produce a better society, are the daunting tasks of politicians and policy makers of this modern age. More than ever before, there is the understanding that a society cannot afford a quick fix of “letting the market run its course” because it is ultimately a political shirking of responsibility for not planning for and simultaneously combating foreseeable risks. A reform of the welfare state must consciously work within capitalism, in terms of striking a balance of upholding both capitalism and societal well-being: finding this balance is tricky but necessary² as economic and social policy are intertwined. An active welfare state, for example, incorporates the idea that the welfare state needs to deliberately plan reform to organize its societies and (labour) market interactions. And while nothing can be planned with dead certainty as former eastern blocks ascertained (and failed at), the welfare state has a responsibility to direct its society and market, if only because at the basic minimum, it must rationalize the rights it bestows and the responsibilities it demands from its citizens.

1 This report was originally written for Policy Network under the title “Literature Review: Welfare State Reform” for a project on Globalization and Social Justice (<http://www.policy-network.net>).

2 I am referring here to Claus Offe’s work (1984) on the contradictions of the welfare state, in that the welfare state often finds itself in a bind to suppress the harsh elements of capitalism but on the other hand, the welfare state is in the situation where it must promote capitalism, because without capitalism, the state would perish. This is illustrative in the welfare state’s provision of social services, benefits, infrastructure, etc. which makes the thriving of capitalism possible, but programs in excess (and without account for the market) would lead contrarily to competitive production.

This overarching “active” function of the welfare state comes in contrast to past understandings of welfare state aims and functions, in that the welfare state existed mainly to redistribute welfare among its citizens. While distribution was a matter of controversy, because social justice could be achieved through “equality of opportunity” or through “material equality” in their various forms, the welfare state generally organized society to its own individual conception of social justice, as can be illustrated by models of different welfare state regimes, most famously from Esping-Andersen (1990, 2000). But how are we to define the welfare state in this review? The welfare state has been called a system with the purpose generally to integrate its people and avoid chaos (Ginsburg 1992: 2), and an institutionalized form of a social safety net that provides a minimal existential means for its members (in terms of providing for basic needs when societal members can not acquire them themselves) (Schmid 2002: 1098-1099). However, this is too general for our set of problems, and in this review, I adopt a more specific definition of the welfare state where at its basic minimum function, the welfare state is a system which reduces or minimizes human risk. I use this definition of the welfare state because such functions of redistributing “risk” have become the heart of current welfare state debates and the main focus of recent literature on welfare reform. This definition also encapsulates the new-won consciousness of the policy-maker and politician, in that while the welfare state can reduce or redistribute risk, it also can (inadvertently) cause risk, if it does not plan for the future carefully.

Some of the traditional risks which the welfare state has covered in the past are vulnerabilities in old age, unemployment, health problems and accidents. These were times of the industrial age, where commodification of the workforce led eventually to a type of full-employment of male citizens (Knijn and Ostner 2002). A need to be protected from the market came in the form of decommodification, where workers were then able to exit the market “unscathed” and remain spared from market failures (Esping-Andersen 1990). Formal regulated work structures could be conveniently separated into a public sphere, for which the welfare state could take

responsibility in the industrial age. However, the forms of commodification have changed in the post-industrial societies: market and social constellations have turned upside-down and new risks have exploded. Risks are gathering in parts of society where the welfare state had little jurisdiction in the past, and the welfare state has had to quickly adapt to find strategies to deal with some of the following problems: expanding informal sectors, the pressures of care needs, migration, unemployment and social exclusion, diverse working populations and discrimination, and an aging population. These are some issues which will be addressed in this literature review.

While solutions are sought for risks to be adequately covered, social justice becomes an underlying issue for the welfare state. This is not an irrelevant issue because welfare states rely on legitimization from society and only when members of society feel that the system is fair, do they “pay into the system” and reinforce it. Development of social rights to protect citizens was an important step for citizens’ equality in the industrial era (Marshall 1950), and yet the question remains in present times, how social rights can be translated for the post-industrial welfare state citizen. While social rights were for Marshall state-provided social benefits and education, these forms are reminiscent of decommodification, a kind of creaming off of privileges for certain members of society. And yet, for example, because male and female roles are no longer so straight-forward in the strict separate spheres of employment and unpaid care work, the welfare state has had to ensure for itself more a deliberate idea of rights and responsibilities. The welfare state has taken on a more regulatory role, and in this sense, it does not dictate roles but enables people to help themselves. However, at the same time welfare states take on the task of minimizing risk for the decisions their citizens make: a tight-rope balance between directing behaviour and ensuring social justice. The following literature review outlines the current strategies and debates which have arisen in the welfare state’s attempt to handle the adverse impact of post-industrial risks and to help create social justice.

2 New Social Risks

In the transformation and globalization of the world economy, the welfare state has been hit especially hard with social problems which it did not have to address to such a degree in the industrial age. New risks are causing challenges for the welfare state because the welfare state either did not have to recognise these problems in the past because they were not so widespread a phenomenon or the balances of other programs or social ideology kept such hazards far from the public welfare state arena. “New social risks” have been coined by Peter Taylor-Gooby, and used by a network of leading scholars in the field, like Trine Larsen, Guilano Bonoli (Peter-Gooby 2004; WRAMSOC 2004). These authors use the term to describe risks and resulting needs which have evolved in the post-industrial welfare state. These needs have been especially apparent in child and elderly care, in the need for new or better-implemented women’s rights in relation to paid work, and the needs for better measures to ease the transition into paid work. This case is particularly difficult for unskilled people in an age where technical development has reduced the need for low-skill work, and because cross-national migration from countries with labour sources in lower wages makes competing for these jobs difficult. Finally, new risks also encompass the need to ease problems of social exclusion, especially in the case of the expansion of private services, where the welfare state has attempted to constrain state spending, for example, through pension privatization. With privatization new risks arise both in the regulation of provision standards and in the fact that some citizens might very likely make problematic or unsatisfactory choices (Taylor-Gooby 2004). Social exclusion was very much an issue of poverty in the early 1990s, but the discussion has narrowed in concentration to focus on the ability to access the labour market. Such terminology, however, could encompass other risks exacerbated by globalization, which I will address here, such as pressures of migration on the welfare state, diversity and human rights, and the informalization of employment sectors.

2.1 Child and elderly care

Changing family structures and patterns, and shifting life cycles have caused a huge strain on the welfare state, where a major concern has been the organization of care. This responsibility of organizing child and elderly care is a new phenomenon for which the welfare state in the previous industrial era had little responsibility. However, as the state has encouraged women into the labour market or women have left on their own accord for labour market participation, care work has come into a crisis.

The care of children has especially been the recent focus for welfare state reform debates. Anthony Giddens (2006), Gøsta Esping-Andersen (2002, 2006) among others have termed the organization of care and education for children as a “social investment” of welfare states. Resources focused on children is seen as a positive direction of restructuring welfare states, especially in terms of the impending aging population where fewer children will be born, and so scarcity makes it more important to focus on the upcoming generations’ potential. If the state socially invests in children, so argues these authors, it will ease families’ reconciliation between the responsibilities of care work and employment, and in this, perhaps also make it easier for citizens in the future to decide to have children.³ Care of children as an investment could not only be understood under a quantitative aspect of covering as many children as possible, but studies have also been made on how to insure high quality of care (see Peter Moss et al 2004, for example). Controversial about the term “investment” when related to care work, is that much of care work can not be termed as an “investment”: obviously elderly care, or care of terminally ill and special needs do not provide profitable “returns” (Bennett 2002). In general, a new conceptualization of care work and its relation to capitalism is needed, because care itself cannot be understood as productive to be more effi-

³ Interestingly, a new study is exploring how partners have suppressed women’s desired higher number of children: it is speculated that men are reluctant for more children because of high costs of caring burdens and financial provision which they will have to shoulder (Ostner et al. 2006).

ciently produced, in shorter time periods, etc. but capitalism also relies heavily on it.

Related to issues of care and capitalism, “defamilialization,” describes the way in which, according to Esping-Andersen (1999), the state and the market are able to reduce familial burdens (and risk), and create more of a work/life balance. This, for example, could mean in the case of child care, a state would provide benefits (state defamilialization) or a market could offer low prices for care (market defamilialization). As a concept, defamilialization is problematic, because it does not distinguish between the ability of the market or the state to unburden family tasks, or the relation between the market and state (Woods 2006a, Woods 2006b), and this makes it difficult for policy makers to get a grasp on how to tackle this problem. Market forces of defamilialization undoubtedly will produce inequality of provision, so if social investment is to cover all children, logically states must intervene to make this more equal.

Recent studies have shown that the deliberateness of policies effect care outcomes. The “purse to wallet debate” in the UK illustrated how the distribution of social policies to certain members of the same family might have an impact on care, i.e. benefits paid to carers might more likely reach dependents than benefits paid to non-carers in the family. The welfare state has become very conscious of considering how policies are enacted and other studies on elderly care have exposed cash payments for care with different affects, where for example elderly citizens might skimp on their own care and medicine, or rely only on certain kinds of professionalized care. Disturbing is the often unequal treatment of families, when care work is supported through tax schemes, and the well-to-do profit more from family policies than the middle and lower classes, such as in recent trends in German family policy. “Social investment” as the means and ends of care conjures up ideas of equal treatment for those dependents. Investment in human capital and social inclusion has been associated with care, in that the human capital of a society is imbedded in the networks and connections of its members and promotes a good society. Improving and stabilizing networks for all, care can be beneficial for the welfare state and

improve human capital. Still others argue that state provided care, has direct benefits for the social well-being of the society (IWPR 2006).

2.2 Women's employment and social risks

In the past 10 years, the employment rates of women in general, and of mothers with small children in particular, has increased rapidly in many countries. More than half of all mothers in OECD countries with children under age 6 are working, and over the last decade the gap between the percentages of working mothers and working fathers has been closing rapidly, by about one percentage point per year⁴ (OECD 2001: 132). A 1998 survey of employment preferences among mothers and fathers, carried out by the European Union, showed that families also *preferred* such a change, so that according to the OECD "while there are considerable differences between countries, in every case, if preferences were to be realised, there would be a move away from the single earner family, towards the dual earner type. On average, the incidence of dual-full-time-earner families and full-time-plus-part-time families would both increase by around a half" (2001: 135). Family patterns and structures are changing and preferring to move away from the industrial ideal of a male-breadwinner model.

In addition to family preferences for employment, countries also have a natural self-interest in promoting women's employment for several reasons. The employers need skilled workers in order to face the challenge of long-term low fertility rates, to remain competitive in the global markets. The present average replacement rates of 1,6 children per woman in OECD countries cannot sustain the society at its present level (d'Addio et al 2005). Governments need employees to pay into social security systems to keep pension systems in operation. Maternal employment also helps to

⁴ Data was gathered from 1989 to 1999.

insure that families are financially secure: if one parent is incapacitated, the other will need to have the skills and resources to support the family. Finally, for single-parent households, employment can also provide a ticket out of poverty. In any case, states are interested in encouraging women to enter employment because doing so means more revenue for the state in the long run and less spending on social assistance.

The double responsibilities for women for care and employment but no accompanying social rights in relation to care work and effective equal treatment on the job has caused women to experience a high proportion of interrelated risks. Individualization of societal members has not incurred a sharing of care burdens of men and women, but women's greater double burden both of work and care. For example, caring constitutes a major risk of poverty for women, when they must juggle employment and care, and this seldom affects men, which is especially apparent when families break up (and this occurs more frequently) in terms of single parenthood. Men usually profit from divorce, still earning high wages where women tend to dip into poverty because of sporadic participation in the labour market ending with poverty in old age because of little or no pension coverage. The earning gap between men and women is sufficiently large that, in the long run, women experience large losses of income in comparison to men. Gender equality is laden with difficult hurdles even when gains have been made in Europe and other countries with gender mainstreaming, anti-discrimination laws and quotas for women (and minorities) in under-represented sectors of employment, and policies of equal pay for equal work.

One interesting note to add to the debate around women's employment and unburdening their social risks, is the non-existence of a (logical) conclusion to redistribute some women's risks on that risk on men. Esping-Andersen dismisses this strategy as too costly as the welfare state would have to provide financial incentives or reduce wage differentials (2006: 81). It is also not expected that men will take up this risk (Esping-Andersen 2000). But indeed, such a strategy is something to consider for reformers, if welfare states are justly to distribute responsibilities along

with rights, in order to balance social risks, especially if the needs of women and dependents are so vast that complete provision from the state is impossible.

2.3 Unemployment, social exclusion, and transition into paid work

Employment in the post-industrial welfare state is changing, so that there are fewer jobs for low-skilled workers and service sectors have been replacing manufacturing sectors with a result in a lowering of productivity. Employment no longer is characterized by Keynesian full-time employment, but is fraught with short-term and often precarious employment. Social exclusion is a very likely danger when employment is short term or precarious and workers do not cycle back into employment, once their term contracts end. Especially young people are in danger if they “miss the boat”, facing dire consequences of social exclusion, poverty, which extends into their old age with low pensions. Also, women and many minorities are having a problem, as they are usually more apt to be in precarious employment, and face discrimination in the work force. Thus, the transition into work has become a major focus of welfare state policy reforms, in order to ensure that citizens and members of society are able to adapt to these changes in employment. Social assistance and workfare with programs of welfare to work have been redesigned to induce a “trampoline” effect not only to catch those falling, but to enable them to jump high once again into the labour market. Unemployment rates have eased since the dramatic increases in the early 1990s, and a sustained moderate employment growth is predicted to continue through 2007; however, approximately one third of the working age population is either unemployed or inactive in the OECD area on average (OECD 2006a: 16), and welfare states need reform in this area.

A term used quite frequently in recent debates, influential in the thinking of policy makers and academics around the issue of unemployment and transition into work, has been concept of “employability”. Em-

employability is the capability of a person to develop his or her personal competence and technical skills in an on-going manner, in order to stay on top of advancements in his or her field of employment, or to be able to update general skills which will make him or her attractive for other advancing fields of employment or generally attractive for a reinstatement into the job market, if he or she were experiencing a period of unemployment (Blancke et al 2000; Schmid 2006). This is relevant for the discussion of welfare state reform, as it is consistent with the “active” politics of the welfare state: citizens/societal members are expected to be proactive and not wait until things change to adapt themselves accordingly. Instead, they should attempt (ideally) to anticipate the trends of market change, and be ready when their companies change, or new sectors open in the labour market. And if workers keep their skills up-to-date, companies and welfare states can profit from a highly skilled and flexible workforce, and take competitive advantage of new trends. This ability to take responsibility for one’s own marketability in the labour market, “employability” has also been associated with the concept of “life-long learning”. “Life-long learning” incorporates employability especially with respect to the aging workforce, where greater use of the knowledge and skills of older workers can be combined with on-job training and other programs. It also focuses on reform needed in companies, where training opportunities have gained more importance for employment.

The OECD describes the future workforce as an older workforce but more feminine, better educated and in better health (OECD 2006a: 46). With objectives of flexibility from workers and their ability to be able to bounce back from unemployment, reformers have focused on the positive skills and the ability for workers to adapt to the market by learning new skills and changing with the needs of the labour market. However, new flexibility might pose a risk for the upcoming older and more feminine workforce. Families with children are especially strained if required to frequently relocate, and because of mobility, to loose networks of family members and friends of the family, who might help provide care and networks. Also living with discontinuous incomes is a strain on families. Not

only flexibility of families, but also the flexibility of companies has become a topic in debates. Recent discussions on flexibility have addressed the employer and its need to be flexible to incorporate workers' need for part-time or flexible working hours. Flexicurity is a term used to emphasize workers need to remain flexible, but not to be totally exposed to market (failure).

In any event, the current issues evolve around activation approaches which provide a balanced mix of incentives to enter the workforce and disincentives to remain outside. Here an understanding is needed of how state and market incentives might interact, and how and why, for example, worker citizens might be receiving more non-employment benefits than in the past and what might be successful or not about these programs (OECD 2006a). This is closely related to why some members are not in the labour market, such as women, who need social programs like family policy. Strategies need to bind those who are not connected to the labour market and are at risk for being socially excluded. Exclusion is defined as a social problem where a lack of social ties or connections to a general set of values or norms severely hinders a person and has adverse effects on society as a whole (Daly 2006). The debate on social exclusion has occurred most notably in the European Union, where the development of this term has spanned from ideas of relieving exclusion from poverty in the early days of the 1980s (Schierup 2006) to relatively narrow views of exclusion resulting from lack of labour force participation. However, social exclusion has also addressed risks of minority groups or immigrant populations, who do not speak the host country language or who are culturally very different from the dominant culture. Problems of social integration lead to problems then for integration into the labour market. Other activation strategies which have a high potential for reducing unemployment could be expanding labour demand, for example, in services, as well as macroeconomic policies which focus on stability.

One discussion of reform within employment, which is controversial but should be addressed because of its growing coverage in debates, is the introduction of a basic or guaranteed income. There are many proposals of

what a guaranteed income might entail, either as a set amount or a graduated system, but ultimately a basic income means a guaranteed income for every citizen, independent if they participate in the labour market. This is thought to produce creativity and abolish social exclusion caused by poverty. Unfortunately, such a scheme reduces the active role of the welfare state in planning the economy, as such outcomes are unpredictable. Also, the huge costs of a basic income would be financed through a reduction of welfare state services, which is not necessarily a way in which to combat social exclusion or bolster social networks. Nor are women better situated in employment when they no longer have access to state-provided services, like child care.

2.4 Aging population

One of the major pending demographic issues for the welfare state is the aging population. The population aging is due to the increase in life expectancy but especially because of a decline in the birth rate (OECD 2006: 18). A shrinking of the population has or will occur in most of the developed countries. This trend is well-documented in the European Union with fast accumulating effects: by the mid-1990s, fertility rates in Europe (and Japan) were the lowest in the world, even if life expectancy at birth was greater in these countries. The average age of the EU-15 rose from 34.8 in 1965 to reach 38.8 in 1995, and by the year 2025 it is expected to reach 43.7.⁵ This demographic trend has several major implica-

⁵ In the mid-1990s, in relation to the European mean, Sweden, followed by Italy, was most affected by population aging, and Austria and Germany by population decline. Finland and the Netherlands were displaying population decline but were less affected by aging. France, Spain, Greece and Belgium displayed aging, though growing populations. Only Ireland, Portugal, Denmark and Luxembourg were characterised by younger and expanding populations (Hantrais 1999: 294). Among the new Eastern EU member states, all except Poland and the Slovak Republic were expected to undergo a population decline by the year 2015 (Hantrais 1999: 293) and while the aging population demographics will effect many countries, there will be some variety: by 2050, more than one-third of the

tions for welfare state reform and policy adaptation: an aging population unbalances the social policy structures around employment, pensions, and care. In terms of re-hauling work and pension systems, policy-reformers are faced with the issue of generational equity. This debate encompasses the conflict between old and young people, between the “winners” and “losers” of radical reforms within the social security system (Arber et al 2000, Hills 1995, Johnson et al 1989, Schokkaert et al 2003). All systems which are based on intergenerational distribution will be faced and challenged with the problem that increasingly less young people are available to care and to pay for more older people. If in most OECD countries, the elderly population will grow by roughly 50 percent over the next four decades, then there will be an additional 50 percent increase in pension expenditure (Esping-Andersen 2006).

The reforms which will attempt to cope with this demographic change have approached the problem from various sides, but normative and financial sustainability of the welfare state will play a crucial role, and generational equity will depend on the political processes within the society and the betterment of institutional structures in place. If there is no change in work as well as in retirement patterns, the ratio of older inactive persons per worker will almost double from around 38 % in the OECD area in 2000 to just over 70 % in 2050 (OECD 2006: 9).

One proposal to soften the impact of the demographic change is to alter the retirement ages, and is probably one of the most effective and equitable measures, if structures are also put into place which support older workers. Restoring fertility or increasing migration is not realistic for completely compensating for such huge increases in population aging (Esping-Andersen 2006; Schmid 2006). Instead it is reasonable to compensate the upcoming shortage of workers with an extension of their working times, because it is expected that these workers will also enjoy longer

population is projected to be aged 65 and over in Italy, Japan, Korea and Spain compared with around one-fifth or less in Mexico, Turkey and the United States (OECD 2006: 18 ff).

life-expectancy and health (OECD 2006: 3). That said, however, accompanying structures will need to be put into place, where, for example, companies will have to have programs of placement supports for workers to relocate within a company (especially in the blue collar areas) and companies will have to promote health and education so that workers can work into an extended retirement age (Bengali 2004). Several pension experts point to early retirement strategies of companies in conservative countries, like Germany, France, and the Netherlands where 60 is a common retirement age: the transfer of financial burdens from companies to the social insurance coffers is common labour market practice, but has created a strain on the welfare state (Trampusch 2003, Schmid 2006). In countries with little public pension provision like Great Britain, U.S. and Japan, the retirement age of 60 is less common. This is not to say that pension coverage should be lowered, but that pensions should be integrated into labour market structures. Remarkable is the case of Sweden because generous provision did not result in more early retirements, because of the integration of older employees and the spread of part-time work led to high employment rates of women and men (Schmid 2006).

Population aging is both a challenge and an opportunity. The challenge is to consider the economic and social implications of reform. The issue of pensions is crucial for welfare states in terms of considering gender differences because women have a different standing in the labour market in that they often work in the lower paid service sector, part-time and so have lower claims to an adequate pension (Jepsen 2002). But pension systems for all workers need to be restructured to accommodate the changing work patterns which in the industrial age are increasingly part-time, precarious or atypical in nature. New structures are needed to cover the growing risks where more forms of employment do not automatically include social insurance. While pensions and the extension of working life is considered a feasible reform, the welfare state also has to take special care to remove barriers to labour force participation, especially with respect to older people (OECD 2006: 24). These are normative aspects but

translate into policies which promote life-long learning and employability for older workers, which I have addressed earlier in this report.

Not unrelated to the aging population is the issue of health insurance. Here reforms are needed because most countries are confronted with a trend towards better medicine but at the same time there is a movement towards increasing expenditures. Generally, countries with a state-controlled, mainly tax-financed system (UK, Nordic countries, southern European countries) have been better able to control the rise in health expenditure. In these countries the problem of meeting the patients demand is more problematic than the rising expenditures. On the other hand, countries like Germany and France have a system in which self-employed doctors with a mix of public and private hospitals provide health care and this is paid for by a national health insurance scheme. In this latter system, the government has had more problems in controlling health expenditure (Bonoli et al 2000: 37). In any case, reformers in health care have concentrated on more efficient use of resources, the control of prices of services and drugs (as well as their volume), and the transfer of some costs of health care to patients (Bonoli et al 2000: 37). Systems where health care is provided by the state, like the UK, Italy or Sweden have tended to focus on efficiency gain, and health care systems in France and Germany attempt to curtail demand by increasing user charges. Many national health systems have embraced managed competition but the fact that expenditure on private health care has increased in most countries suggests that public health programmes are less successful than in the past with meeting citizens' health care needs.

2.5 Migration

Migration poses some difficult challenges for the welfare state in terms of multiculturalism, social cohesion, control, and solidarity. Migration flows expanded in the 1990s and they are now growing once again (OECD 2006 b: 16) There are over three million long term migrants enter-

ing OECD countries legally every year and many more short term migrants. However, integration in the labour market has not been seen to be as successful as that in the past (OECD 2006: 16) and welfare states need to deal with selection criteria and caps on inflows which are sometimes limited in their effectiveness. For example, if work permits are kept low despite a high demand, irregular movements are more likely (OECD 2006:17). Also who enters the welfare state might not be so predictable. So welfare states have to remain open in terms of the results of their migration control which might not be completely foreseeable; but also welfare state needs to deliberately direct its policy in order to influence migration inflows, and create structures which are prepared to integrate migrants, either long-term or short-term, and promote social cohesion of its society.

Multiculturalism and identity of citizens in the host welfare state is a central issue in migration debates. In contemporary debates in the EU, the ethnic and “racial” dilemmas which have presented themselves in the welfare state, have become increasing interrelated with the “immigrant” problem (Schierup et al 2006:15). The social crisis of identity experienced by the host country with large influxes of migration is a situation which is singularly difficult, because of the issue of short-term migration, where migrants might leave after a short while; or just as important, because advanced technology and transportation of the modern age has resulted in short and long-term migrants being able to keep stronger ties to their countries of origin. Strategies of “assimilation” for migrants is difficult and in some ways counter-productive, if immigrants must shed the identities of their country of origin. Instead, strategies of “integration” of migrants highlight the practice of integrating migrants into a society that is also open to change itself (Schierup et al 2006). And this means that the host society must be prepared inevitably to become a multicultural society: and prepare its citizens for such changes, through, for example, education, intercultural dialog, and programs that promote exchanges among migrant

and host country citizens, maybe even after a migrant returns back to his or her sending country.⁶

Integration has been for the most part an issue in labour market participation, but the integration of migrants into host countries has sparked many debates, especially in the EU recently in terms of education, housing and politics. Most migrants have done extremely poorly in education in comparison to host country citizens. In terms of democracy and political rights, France and other countries have learned the hard way that social unrest disables the society, when there are no political channels to constructively change inequalities. Here, instead of a win-win situation where migration improves the host country, it is a “lose-lose” situation, where migrants suffer from their exclusion in the host country society, and the host society can not benefit from the resources and potential of their migrants. Here, the issue of citizenship, dual or multiple citizenship needs to be dealt with, and structures need to be created in political institutions, which it makes it possible for social movements to make their voices heard and be part of the social planning of the welfare state (Schierup et al 2006: 269). And yet, solidarity is a problematic issue, as cultural diversity in a welfare state has also been associated with a low level of solidarity, low union organization/representation, and low social spending (Schram et al 2003). The attitudes of citizens need to be re-examined in light of a legitimization of a welfare state, and while the flux of people might not be stable or predictable, and because migrants might be very different and foreign to the host country, the challenge to adapt to these changes might be threatening. Even the Swedish case where programs remain high, illustrate that if societal consensus in the host country is that migrants are weak (and do not have something to offer to their host country), this inevitably reproduces itself and everyone loses out (van Suntum and Schlotböllner 2002). The responsibility of the welfare state is to prepare for this.

⁶ Canada has been mentioned as a country which promotes intercultural dialog (Giddens 2006), for example, by promoting intercultural exchanges for foreign national graduates long after they have received their degrees, enabling them to reenter the country, etc.

2.6 More challenges that lie ahead

Some challenges that lie ahead are still up and coming. What has been relatively little discussed in the context of welfare state research and reform, have been three issues, which I think will affect the welfare state greatly in the future, if it is to follow its post-industrial course. First of all, there is the issue of informal employment sectors. If reformers are to understand how social and economic policies fit together, they also must understand the informal sector and its role in capitalism, which until now has been little documented and understood. The informal sector by definition is that kind of work which is not regulated by the state: in the past this has been undocumented paid work and bartered work, unpaid and paid work in the household, and volunteer work. The exchange of cash for work without the paying taxes is a problem for the state, but also bartered work and unpaid (care) work, and volunteer work need to be understood in the equation of market, family and state mixes, if intelligent decisions on social and economic policy are to be made. At this point, little is understood about the informal markets and how they function within the state, and more research is needed. A second issue which is also related to the state and market and not so well understood is the problem of ecology. Attempts have been made, for example, through measurements like the Genuine Progress Indicator (GPI), to understand the quality and distribution of economic growth where no financial transactions have occurred, something which the Gross Domestic Product (GDP) cannot do.

The third upcoming issue which the welfare state needs to address is anchored in the threat of terrorism, where security and human rights are at stake. As the problem of migration illustrates, social justice has become an issue for welfare states which extends outside of its borders. If the well-being of its citizens and the stability of the nation state are to be promoted, then the promotion of rights in other countries is foreseeable and desirable. Welfare states have two strategies to minimize terrorism: one within their borders and one outside of their borders. Within their borders, they can promote social justice and integration, so that social exclusion does not induce an affinity to terrorism in their population. Important in this

respect is to set up democratic channels which can direct dissatisfaction with social problems to create solutions and improve society as a whole. In terms of outside its borders, the welfare state can direct its foreign policy to promote human rights and social justice. This might ultimately mean promoting social justice and stabilizing these other countries in terms of reducing poverty, promoting their productivity, and supporting intercultural dialog and exchanges.

3 Reform: which direction?

In the “post-industrial era” welfare states are no longer expanding but need to reorganize their welfare systems, termed “restructuring.” This reorganization of the welfare state is in response to the simultaneous pressures to expand programs on the one hand, and the fiscal problems that encourage these programs’ down-sizing on the other hand (Pierson 2001). In terms of factors causing this need for restructuring, internal factors are most apparent in “post-industrial” welfare states. Such internal pressures or changes in the welfare state which cause strain are: 1) the changing employment profiles of affluent societies which have become increasingly service-based (slower productivity and a rise in the service sector), 2) the maturation of welfare states where health care provisions and pensions have been expanded (the expansion of governmental commitments), 3) aged populations, and 4) transformed household structures in terms of women’s labour force participation, falling fertility rates, fragmentation of households, and rise of single parent households, with the increasing tendency of single adult-households in which the aged are more likely to live on their own (Pierson 2001: 83-99). Bonoli et al (2000: 2) adds rising demand for education and training, rising unemployment and the expectations of citizens that social progress will involve higher standards of service.

It might be helpful to talk about the strategies which countries have taken and how welfare state and political configurations might affect policies, as a conceivable springboard for policy reformers to think about progressive reform. Restructuring strategies of welfare states are mainly discussed in the terms of recommodification, cost-containment, and recalibration. While there are overlaps with definitions as one policy might fulfil more than one strategy, the terms are defined as follows:

1. Recommodification been defined as the way in which the welfare state pushes (or pulls) citizens into the work force. Sometimes this also entails reversing decommmodification, i.e. restricting alternatives to participation in the labour market, either by tightening eligibility or cutting benefits outright.

However, recommodification can also describe policies which might entail elements of recalibration and incentives to enter the labour market

2. Recalibration refers to strategies of reform which attempt to adapt to and be more consistent with contemporary goals and demands for social provision. This is relevant for family policy, which has been transformed in some of the recent welfare state strategies, but not only family policy. Recalibration has been also used to describe, for example, modifying reforms such as sickness pay in Sweden in terms of updating the policy to reduce high rates of absence from work, or, for example, in enacting long-term care insurance in Germany, or countries' initiatives to "make work pay" for those low income workers who were falling under the poverty levels (Pierson 2001: 426).
3. Cost Containment is characteristic of an "era of austerity" where welfare states attempt to contain their social spending. For example, welfare states focus on deficit reduction or making sure the middle class are not burdened with high taxes caused by high fixed labor costs (Pierson 2001: 424). Costs might be contained in pensions and health care, a strategy followed overwhelmingly by social democratic welfare states.

These strategies fall very closely along the lines of Esping-Andersen's *Three Worlds of Welfare State Capitalism* welfare types according to Paul Pierson (Pierson 2001: 431), but when it comes to following one strategy more than the other, all states have incorporated a kind of mix of political strategies. One of the main political arrangements of reform has concentrated on recommodification, but the devil is in the details. Recommodification is an expectation of social responsibility to enter the labour market, and retrenchment of social rights can or can not accompany recommodification. Especially if care work is realigned with such labour force expectations, then reformers are charting a recalibration type of reform, where a welfare state remedies itself and adapts to the pressures of a changing society.

4 Conclusion

The welfare state has been under massive pressure because of contradictory pressures to produce high quality services under an explosion of social needs and at the same time to tighten and constrain expenditures. As this report has illustrated, current discussions of welfare reform have focused on reform in the areas of 1) child and elderly care, 2) women's employment and social risks, 3) unemployment, social exclusion, transition into paid work, 4) aging populations, and 5) migration. Growing issues are 6) informal employment as well as 7) matters evolving around terrorism, such as security, human rights and involvement in the well-being of other nation states. Many of these new social risks need solutions which are unthinkable in the context of a former industrial era welfare state. We stand at point in time where the post-industrial welfare state has to be radically restructured to accommodate the growing pressures of society and thus regenerate itself. While the overall aim of the welfare state will always be to reduce and redistribute risk equally among its members, the post-industrial welfare state is at a turning point because reformers now recognize that social and economic policies are interwoven, and must be considered together, if there is a way to plan for a better society which is more equal, more prosperous, and more adaptable to change.

Interestingly, welfare state reform has taken somewhat of a paternalistic route, in terms of taking responsibility for directing its citizens, developing more sanctions and incentives. Here is an awakening and realization of how welfare state mixes of social and economic policies have an impact on human behaviour. As explained in "positive welfare", the welfare state has moved away from "remedial" policies of industrial welfare states where welfare policies were enforced as reactions to problems. Instead, welfare states are focusing on preventive welfare policies and investment in human capital, which means policy makers are doing a lot more planning. In terms of planning, policy-makers are required to be in the active position of understanding how policies might affect its recipients

and how policies work together in an overarching welfare state. This is not easy, as Lijphart (1975) and other welfare state researchers have illustrated that a welfare state is one case study with multiple variables and it is extremely difficult to scientifically identify dependent and independent variables. However, individual policy evaluation research in many countries has blossomed, rushing to find best practices from neighbour regime types. And good quality evaluations of policies have boomed, so that policy makers have been better informed of variables of impact in current reforms. And indeed, Claus Offe (2006) states that one of the main welfare state challenges will be not to blame those who do not make it when there are sanctions and incentives, so that they fall out of the system even further.⁷ Instead, reformers must reflect back onto the welfare state and ask why these measures were perhaps ineffectual, and plan with better policies.

The challenges that lie ahead are the interpretation and translation of social justice. If the post-industrial welfare state is not just concerned with rights, but equally concerned with responsibilities, incentives, and sanctions, the welfare state must distribute these equally. Very different kinds of people can claim membership in the welfare state: young, old, male, female, heterosexual and homosexual, minority, non-minority, long-term/short term migrant (citizen and non-citizen), able-bodied and disabled, partnered, single, etc. These members of society will experience risk differently according to the welfare state structures in place, but with planning, the welfare state can create policies which will balance the redistribution of rights and responsibilities more equally: for example, both

⁷ Anthony Giddens addresses this issue with the example of health: "One of the problems is that those who most need to be reached by public health messages are least likely to be influenced by them. Somewhat perversely, public health campaigns can have the effect of shoring up rather than reducing social divisions, since more educated and literate groups tend to be the most responsive to publicly and privately disseminated health information. Following Wilkinson's analysis, the psychological factors that link unhealthy or self-destructive life-styles to social exclusion need to be dealt with at source" (Giddens 2006:109). This can address not only the dissemination of information but I think it also can be extended to sanctions and incentives inherent in welfare state policies themselves.

men and women need to have equal responsibilities for unpaid care work, homosexual and heterosexual families need to have the same rights under similar burdens of responsibilities, lower class families need access to quality child care services, if they are expected to carry employment responsibilities. If a welfare state is to remain legitimate, then it will have to convince its members to believe in it, to pay into programs, and realistically offer them something in return. It is crucial that citizens believe that their payments will be well-spent after thoughtful and conscientious planning from the welfare state. And such a broad picture of the short- and long-term goals of the welfare state is only possible with a coordinated effort: no single individuals are capable of such an effort. With planned thought, wise decisions, good investments, and careful distribution of risks, reformers will create a better, more legitimate and successful welfare state.

Literature

- d'Addio, A.C./M.M. d'Ercole (2005): Trends and Determinants of Fertility Rates in OECD Countries: The Role of Policies, OECD Social Employment and Migration Working Papers, No. 27, OECD, Paris.
- Arber, S./Attias-Donfut, C. (2000): The Myth of Generational Conflict: the state and family across cultures, London, New York.
- Bangali, L. (2004): Are older workers genuine assets for the economy? Strategies and possibilities for the effective use of their human resource potential. Working Paper. University of Tübingen and the Research Institute for Work Technology and Culture. http://www.wip-online.org/downloads/Bangali_Lucy_2004_d.pdf
- Bennett, F. (2002). "Gender implications of current social security reforms." *Fiscal Studies* 23: 550-584.
- Blancke, S./Roth, C./Schmid, J. (2000): Employability ("Beschäftigungsfähigkeit") als Herausforderung für den Arbeitsmarkt - Auf dem Weg zur flexiblen Erwerbsgesellschaft. Arbeitsbericht Nr. 167/ Mai 2000 der Akademie für Technikfolgenabschätzung Baden-Württemberg, Stuttgart.
- Bonoli, G./George V./Taylor-Gooby, P.(2000): European Welfare Futures. Towards a Theory of Retrenchment, Cambridge.
- Daly, M. (2006). Social Exclusion. Paper presented at the 4th Annual ESPANet Conference 2006. The transformation of the welfare state: political regulation and social inequality. 21.-23- September 2006 Bremen, Germany.
- Esping-Andersen, G. (2006): Warum brauchen wir eine Reform des Sozialstaats? Gøsta Esping-Andersen beantwortet von Jens Alber gestellte Fragen. In: Leviathan, Vol. 34, No. 1. pp. 61-81.
- Esping-Andersen, G. (2002): Why we need a new welfare state. Oxford.
- Esping-Andersen, G. (2000): Social Foundations of Postindustrial Economies. Oxford.
- Esping-Andersen, G. (1990): The Three Worlds of Welfare Capitalism. Cambridge and Oxford.

- Friedman, M. (1962): *The Role of Government in a Free Society*. In: *Capitalism and Freedom*. Chicago. pp.22-36.
- Giddens, A. (2006): *Debating the social model. Thoughts and suggestions*. In: *Hampton Court agenda: a social model for Europe*. London: Policy Network.
- Ginsburg, N. (1992): *Divisions of Welfare. A Critical Introduction to Comparative Social Policy*. London.
- Hantrais, L. (1999): *Socio-demographic Change, Policy Impacts and Outcomes in Social Europe*, in: *Journal of European Social Policy*, Vol. 9, No. 4, pp. 291-309.
- Hills, J. (1995): *The welfare state and redistribution between generations*, in: Falkingham, J./Hills, J. (Eds.): *The Dynamic of Welfare. Social Policy and the life cycle*, Hemel Hempstead.
- IWPR. Institute for Women's Policy Research (2006): *The Economic Development & Child Care Research Technical Assistance Project Linking Economic Development and Child Care*. http://www.iwpr.org/Work/Research_work.htm
- Jepsen, M. (2002): *The scientific debate on older workers*. In: Jepsen M./Foden D./Hutsebaut, M. (Eds.): *Active strategies for older workers*. European Trade Union Institute (2002). Brussels.
- Johnson, P./Conrad, C./Thomson, D. (Eds.) (1989): *Workers versus Pensioners: Intergenerational conflict in an ageing world*, Manchester.
- Knijn, T. / Ostner I. (2002): *Commodification and de-commodification. Contested Concepts in Gender and Social Politics*. B. Hobson, J. Lewis and B. Siim. Gloster, Edward Elgar Publishing Limited.
- Lijphart, Arend (1975): *The Comparative-cases Strategy in Comparative Research*, in *Comparative Political Studies* 8 (2), pp.158-177.
- Marshall, T. H. (1950): *Citizenship and Social Class. Citizenship and Social Class and Other Essays*. Marshall, T. H. Cambridge.
- Moss, P./Hansen H. K. /Jensen, J. J. (2004): *Innovative developments in care work*. In: *Care work in Europe. Current understandings and future directions*. <http://144.82.31.4/uk/reports/Innovative%20developments.htm>
- OECD (2001): *Balancing work and family life: helping parents into paid employment*. OECD Employment Outlook, OECD.

<http://www.oecd.org/document/49/0,2340,en_2649_33927_1911857_1_1_1_1,00.htm> Date of access:2. February 2003.

- OECD (2006a): OECD Employment Outlook. Boosting Jobs and Incomes, OECD, Paris, pp.1-281.
- OECD (2006b): Ageing and Employment Policies. Live Longer, Work Longer, OECD, Paris, pp.1-146.
- OECD (2006c): International Migration Outlook. OECD Publishing, Sopemi.
- Offe, C. (2006): Key note speech. 4th Annual ESPAnet Conference 2006. The transformation of the welfare state: political regulation and social inequality. 21.-23- September 2006 Bremen, Germany.
- Offe, C. (1984). Contradictions of the Welfare State. Cambridge, MA, The MIT Press.
- Ostner, I./Knijn, T./Schmitt, C. (2006): "Men and (Their) Families: Comparative Perspectives on Men's Roles and Attitudes Towards Family Formation", in: Jonathan Bradshaw und Aksel Hatland (Hg.), Social Policy, Employment and Family Change in Comparative Perspective. Cheltenham: Edward Elgar, 179-197.
- Ostner, I./Leitner, S/ Lessenich, S. (2001): Sozialpolitische Herausforderungen. Zukunft und Perspektiven des Wohlfahrtsstaats in der Bundesrepublik. Arbeitspapier 49. Hans-Böckler-Stiftung.
- Pierson, P. (2001): The New Politics of the Welfare State. Oxford.
- Schierup, C.-U/Hansen, P./Castles,S. (2006): Migration, Citizenship, and the European Welfare State. A European Dilemma. Oxford.
- Schmid, J. (2006): Rentenreform: Überlebt der Wohlfahrtsstaat?, in R. Sturm / H. Pehle (Hg.), Wege aus der Krise. Die Agenda der Großen Koalition, Opladen.
- Schmid, J. (2002): Wohlfahrtstaat. Lexikon der Politikwissenschaft. Theorien, Methoden, Begriffe. Nohlen, D. / Schultze, R.-O., Band 2: N-Z: pp.1098-1103.
- Schokkaert, E./Parijs, P. van (2003): Social Justice and the Reform of Europe's Pension Systems, in: Journal of European Social Policy 13 (3), pp. 245-279.

- Schram, S. F./ Soss, J., et al., (Eds.) (2003): *Race and the Politics of Welfare Reform*. Ann Arbor.
- Suntum, U. van/Schlotböllner, D. (2002). *Arbeitsmarktintegration von Zuwanderern. Einflussfaktoren, internationale Erfahrungen und Handlungsempfehlungen*, Gütersloh, Bertelsmann Stiftung.
- Taylor-Gooby, P. (2004): *New Risks, New Welfare. The Transformation of the European Welfare State*. Oxford.
- Trampusch, C. (2003): *Korporatistische Konzertierung von Arbeitsmarkt- und Rentenpolitik: Zukunfts- oder Auslaufmodell?*. In: Jürgen Beyer (Ed.) *Von Zukunfts- zum Auslaufmodell? Die deutsche Wirtschaftsordnung im Wandel*, Wiesbaden, pp.78-107.
- Woods, D. R. (2006a): *Focusing on Care: Family Policy and Problems of Analysis*. (WiP Working Paper Series). Paper Number 30. Institute of Political Science, University of Tübingen. Access to website: <http://www.wip-online.org/wip-papers.html>
- Woods, D. R. (2006b): *What a state she's in! Western welfare states and equitable social entitlements*, in: *Journal of Global Ethics*, special Women's Rights Issue, Volume 2, Number 2, December 2006.
- WRAMSOC (Welfare Reform and Management of Societal Change) (2004): *European Union funded research*. Bristol.
<<http://www.kent.ac.uk/wramsoc/>> Date of access: 2. September 2004.

Thanks to members of the Tübingen Political Science Institute for reading and commenting on one or more sections of this report: Josef Schmid, Lucy Bangali, Conny Beyer, Almut Peukert, Christian Roth, Claudia Brückner and Maria Junger.