

## **Part I Central concepts**

## Chapter 1. Introduction

### 1.1. What are the central issues?

The welfare state, in all developed societies at least, plays a key role in people's everyday lives. At the same time, the welfare state is contested and there are constant discussions on how and to what degree the state should intervene, influence and have an impact on the development of society, including on the market and civil society. Many questions arise: should there be a stronger or a leaner welfare state, or a larger role for families, the voluntary sector or the market? Such issues have been discussed for many years, as have subjects concerning the welfare state in crisis. Different measures have been used, such as direct cut backs in the form of retrenchment, more marginal changes or just gradual changes. At the same time, for centuries the sovereign and the state have played a role and the boundaries between state, market and civil society have been analysed, debated and discussed from many and varied perspectives.

Recent years have seen an on-going transformation of the welfare state in the light of the global financial crisis, demographic change and changes in the perception of the state's role in relation to social welfare. The legitimacy and nature of the state's role is constantly changing, not only in relation to its overall size and role, but also within certain areas of welfare policies. For instance, the type and level of support for individuals might differ depending on whether we look at social assistance or old age pensions (Svallfors, 2012). Support for old age pensions and services has been and still is higher than for those receiving social assistance. Thus the old debate about the deserving poor and the undeserving is still very much alive. Recent years have also seen new risks emerging so that the "old" risks (Taylor-Gooby, 2004) of reaching the age of retirement, becoming ill or unemployed, or having a work injury, have been supplemented by new types of risk related to changes in the family and family formations, including the break-up of families. New risks and new challenges for individuals in welfare states also mean that there might be a conflict between various kinds of needs in different sectors and parts of the economy, and also that these are changing over time. Thus the balance between the state, the market and civil society, and also within and between different aspects of the welfare state's services and income transfers has

been constantly reconstructed, including who has which responsibility and who is expected to finance and/or deliver different types of welfare transfers and services. The continuation and anticipation of more and better welfare services also implies a risk that voters' expectations will not be fulfilled and thereby possibly reduce the legitimacy of the welfare state.

Over the last 30–40 years, we have seen a shift in the focus of the welfare state, from concentrating on income transfers to offering more services beyond health care, in which child care and care for the elderly have been the most prominent. The expansion of the welfare state in some countries, especially in the provision of services, raises new issues concerning the understanding and possible role of the welfare state, particularly during a period of increased financial pressures. Issues include the extent to which the welfare state should provide services to whom, of what quality and under what conditions, and, in contrast, what should be delivered by the state, the market and civil society.

The welfare state, in its different national varieties, plays a profound role in most people's everyday lives. Thus the welfare state influences society's development, including the preconditions for helping to ensure social cohesion and the development of social capital. Furthermore, many welfare states have goals related to equality and employment.

This book will scrutinise the foundations of the welfare state and explain why we have a welfare state (Esping-Andersen, 2002). In addition it will examine why it is difficult to demarcate the roles of the state and the market with any precision, and why the welfare state's boundaries in relation to civil society, including families, the third sector and voluntary work, are difficult to define and are constantly changing. Furthermore, it will examine how the interaction between state, market and civil society is important in order to understand the welfare state and how the welfare state differs between countries. The book provides an overview of the different interpretations and explanations of what a welfare state is and how it works. The approach chosen is interdisciplinary, and draws on sociology, political science, economics and social policy. The book does not have a specific focus on one country's welfare system, but tries to balance between presenting principles in approach to welfare and examples from a variety of countries and systems, and thereby to cover different welfare systems. This also helps clarify variations in approaches to and understanding of the welfare state. Looking at how the welfare state is structured and changing in different countries can provide a mirror that helps to understand the welfare state

of one's own country, while at the same time making it possible to understand the varieties of approaches that can be and are used to achieve a high level of welfare.

In recent years, the focus on economic growth as a way of promoting welfare has been questioned and there has been a growing interest in well-being and the broader aspects of what constitutes a good society. Furthermore, approaches have changed from mainly focusing on the short term to a longer-term perspective including intergenerational aspects. This therefore raises the fundamental question: what is welfare? In order to understand the welfare state one needs to understand its central concepts, and especially the understanding of welfare, but also how different principles of delivery and financing in the state, the market and civil society influence people's welfare. The ability to finance the welfare state, to ensure qualified labour and to establish trust in societal development are highly important issues for the development of welfare in many countries.

The book offers further an international perspective on how the welfare state might be influenced by the European Union, especially in the EU member states. It therefore also highlights how welfare and its historical development within nation states is now influenced by globalisation and European norms of welfare.

This book provides both insights and knowledge which will make it possible to analyse and interpret the ongoing societal changes in welfare states. Core concepts and arguments for and against the welfare state are presented so that the complexity of modern societies can be understood. The book should therefore be useful for all students of social policy, social care, sociology, welfare states, political science and welfare economics and other subjects where there is a need to be familiar with core concepts and issues related to a central theme in modern societies: welfare and welfare states.

## **1.2. Overview of the book**

The book is divided into four parts.

The first part presents the core concepts related to what welfare is and different ways to achieve goals in the welfare state, including central theoretical arguments for using the state, the market and civil society to deliver and/or finance welfare. This distinction of the three

sectors as means to provide welfare, together with different welfare regimes, is the guiding principle in the book.

The second part of the book focuses on the core providers of welfare; the state, the market and civil society. It addresses how best to achieve an aim in the welfare state by using the state, the market or civil society or a combination of these, and in what welfare regimes these goals seem to be achieved best. The central goals of the welfare state included are elements such as inclusion (versus exclusion), equality (versus inequality) and a high level of employment.

The third part of the book analyses central aspects and topics in welfare states by showing how the principles and elements from the first two parts can be used when analysing the welfare state. This includes, for example, how different approaches to welfare influence equality, inclusion and the welfare of different groups based upon gender, age, race and disability. Therefore the third part presents how to understand what has been seen as essential to the development of welfare states; the degree of equality and inequality and the impact of the state and the market especially in different welfare regimes.

The fourth part then takes a more international perspective, raising the issue whether welfare state policies are still mainly a national prerogative or whether they are influenced by globalisation, and especially the impact of the EU on the options and possibilities of national combinations of the state, the market and civil society. It also presents trends in the development of the welfare state, including new ways of steering and organising the welfare state, in the light of ongoing transformations and challenges, and finally points towards the future of the welfare state.

The first part of the book presents the framework.

Chapter 2 asks us to step back and ask: What is welfare? Answering this question is essential if we are to understand the development of the welfare state, what it is, and what it can be. An important issue here concerns the need to know why it is so difficult theoretically to find the boundaries and limits between the state, the market and civil society in welfare. The issues involved here are both empirical and normative, such as deciding the correct balance between

individual freedom and societal intervention. The ability to prioritise between ends and means and between limited available resources is also becoming increasingly important.

An implication of this is that both objective quantitative indicators of well-being and subjective aspects of citizens' understanding of the good society are important. Subjective well-being can thus be important in a modern welfare state. A happy nation might also be one that has a good welfare state. Social indicators and ways of measuring the impacts and outcomes of welfare-state interventions in societal development might thereby be important. Institutions, structures and the way they influence equality and justice in modern societies are thus also important. The definition of a welfare state and its aims are addressed in the third chapter.

Concepts central to understanding the welfare state in its different guises, such as the universal or targeted welfare state, including elements such as selectivity and take-up rate, are included. The relative generosity of the welfare state is often discussed by looking into income replacement rate, which is therefore also presented. Furthermore, a variety of criteria may be applied for entitlement to benefits in different welfare state regimes such as age, income and different social contingencies. Benefits can also be divided into whether they are means tested or not. Even when the right to a benefit is established, there are several types of delivery, such as in-kind and/or in-cash. Income transfers and social services as elements are shown.

How these different approaches can be used in different welfare policies is indicated in order to gain an understanding of how diverse welfare states do this, e.g. in areas such as pensions, unemployment benefits, social assistance, disability benefit, health care, old-age care, child care, education and the labour market. The level and composition of public welfare in different types of welfare regimes is further presented.

Chapter 3 then presents a distinction between state, market and civil society that will be used as a way of understanding the welfare states and its role. This is used in combination with how this is dealt with in different welfare state regimes. Finally, it touches upon the aspects central to many welfare regimes: how to balance efficiency and equity.

Understanding what a welfare state is and what different welfare state regimes are, is the focus of Chapter 3. This chapter starts by presenting an overview of the debate about what a welfare state is, given that even having defined what welfare is, one needs to find out what can be understood by a welfare state, since providing social welfare is not exclusive to the state, but is shared with the market and civil society. Types of welfare regime are thereafter presented, how they differ and how the understanding of welfare regimes inform us about what to expect in different countries with regard to welfare. This further includes how typologies can be used as part of the analysis of what a welfare state is and different understandings of the welfare state. The chapter argues for the choice of countries used in the book as a way of presenting varied approaches and types of welfare states in Europe. A new perspective on the welfare state – the social investment perspective – is finally shown as this is a way of presenting competing views on the welfare state: as a burden or an investment in the future. The social investment perspective is seen as a contrast to the Keynesian and neoliberal approach (Morel et al., 2012).

This also emphasizes that politics matters, and, one needs to be aware of logics and ideologies behind changes in the welfare states, including types of drivers for changes. Type of changes and possible reason for choice between these are presented in the chapter.

The second part of the book then looks in more detail into the role and rationality of the state, the market and civil society in relation to the delivery and financing of welfare and societal functioning. It thereby follows a tradition of looking into the mixed way of providing and financing welfare (Johnson, 1999). Thus two chapters (Chapters 3 and 4) are on the state, as finance is seen as so important that it needs to be presented in a separate chapter. The next two chapters (5 and 6) are on the market, again with a separate chapter, this time on the labour market given its profound role and impact on people's everyday lives, and also its impact on public sector income and expenditures. The final chapter (8) is on civil society, especially the role of the family and the voluntary sector. They can be seen as different providers of welfare given that families have stronger social bonds and commitments than the voluntary sector and the rest of society. This distinction is not central here.

The different ways states seek to achieve the aims and purposes of the welfare state are the topic of Chapter 4. This is based upon a classical and historical approach originally presented by one of the most influential figures in the development of social policy in the United

Kingdom, Richard Titmuss (Alcock et al., 2001), cf. Box 1.1. Starting with Titmuss's understanding of social policy the chapter explores three different but interlinked approaches to the delivery of welfare: public, fiscal and occupational welfare. How they are defined and measured and how they are linked together, including the possible impact of access to and distribution of resources, will be incorporated. The chapter includes a short empirical overview including a discussion of measurement issues. This further relates to the fact that most of the present economic constraints on the welfare state mainly focus on the public side, and less on the more hidden elements and aspects of the welfare state, such as tax expenditures and occupational welfare.

#### Box 1.1 Who was Richard Titmuss?

Titmuss, R. M. (1907-73) was one of the most influential writers, besides Beveridge, in the development in the UK on Social Policy and its development, and further how to structure and analysis core issues related to the welfare state. He was professor in social administration at the London School of Economics from 1950 until his death.

The following extract indicates also partly the perspective here in this book:

“Considered as a whole, all collective interventions to meet certain needs of the individual and/or to service the wider interests of society may now be broadly grouped into three major categories of welfare: social welfare, fiscal welfare and occupational welfare. When we examine them in turn, it emerges that this division is not based on any fundamental difference in the functions of the three systems (if they may be so described) or their declared aims. It arises from an organizational division of method, which, in the main, is related to the division of labour in complex, individuated societies” (Lecture at the University of Birmingham, 1955, here from Alcock et. Al. p. 63).



How to finance the welfare state has, in the wake of the ongoing financial crisis, become even more important. This chapter presents the central principles of financing the public sector. Chapter 5 further probes into the possible short- and long-term consequences of the financial crisis for welfare, but also how international developments influence national options for financing the welfare state. Demography as a specific challenge for the financing of welfare states and debates revolving around ageing societies is included. The use of welfare technology and social innovation in changing the welfare state offer new approaches to solving the economic and demographic pressures on the welfare state. This also raises the question of whether new ways of financing the welfare state are necessary for ensuring its long-term sustainability. Sustainability concerns both financial issues and the legitimacy of the welfare state.

Chapter 6 then switches the focus to the role of markets in the welfare state. First the chapter presents how and when a market will work, but also that market failure and government failure, as opposing arguments, are different reasons why diverse pathways to welfare have been chosen in different countries. Market failure is thus seen as a major reason why there is a need for state intervention. The marketisation of welfare services as a way to cope with an increase in demand and a wish to be more efficient will be discussed, together with the impact of choice. Finally, the possible outcome in relation to social cohesion, and equality and inequality in relation to both outcomes and access to welfare services, will be presented. The market has a role as a provider, but it also has an economic interest in providing these services. That the market in itself has an interest in public demand for services does not explain where the borders between the market and civil society should be, or in some areas, there might not even be a market if families take care of their own members or close networks exist. Further, this might influence who will finance and provide welfare.

The labour market as a specific but very important market is the focus of Chapter 7. Its importance goes beyond being a market for the demand and supply of labour as it also relates to individuals' options, their possibility of getting an income, social relations and the feeling of being included in society. An analysis of employment and unemployment as key elements of how the society functions is part of the chapter. The role of trade unions and employers' organisations in the welfare state is explored in relation to the changes in the composition of the labour market. Impacts due to the internal market in the EU and global movement of workers will also be touched upon, including reasons for cross-border migration and

mobility. Given the central role of having a job and the impact on life-conditions during working life it is necessary to know and have an insight into the impact of the workings of the labour market. Core issues such as “flexicurity” and active labour market policy are also discussed.

Chapter 8 examines the role of civil society and families. It concentrates on the debate concerning “the big society” and the intention of the partnership between the state and civil society, including expectation of a larger role for the voluntary sector in the delivery of welfare. That discussion has also awakened the debate of the expected role of the state and civil society in ensuring welfare, including care. This chapter will present concepts and ideas related to the role of civil society as it is today, including families. This is also a way to discuss the borderlines and possible changes to them, including whether welfare should be understood as a cost for society or, as suggested in recent debates, as a social investment, for example, by providing care for children enabling both mothers and fathers to enter the labour market. The intergenerational perspective related to the role of the family will also be explored. Social capital as a concept and the role and influence of the civil sector from an international perspective will be presented. Finally, civil society and the role of families with regard to social cohesion is discussed.

Having set the scene with state, market and civil society and welfare regimes, the third part examines the central aspects of the welfare state and central issues in everyday life for citizens in welfare states. It concentrates on two important topics and aspects related to the development of welfare society. These are:

- a) understanding and measuring inequality (a topic which has had a central place for many years),
- b) how to see and understand social inclusion and exclusion.

This is linked to four specific groups/segments often perceived in different ways as not being treated fairly or at higher risk of being socially excluded :

1. Gender: mostly women
2. Disability: people with disabilities
3. Age: mostly young people and older people

#### 4. Race and ethnicity: ethnic and racial minority groups, immigrants, refugees, asylum seekers

Chapter 9 takes up the normative issues of justice and measures of inequality looking at both classical measures (income) and more modern ones (capabilities). In addition the chapter takes up the subject of how equality/inequality has an impact on how society works and, in turn, how this might influence well-being, health etc. in modern welfare states. The chapter will thus introduce concepts and methodologies appropriate for understanding inequality and the implication of different types of inequality, and ways to measure and discuss it and ways to change this in different welfare state regimes. The monetary as well as non-monetary factors linked to inequality, poverty and deprivation are presented. This is finally connected to new types of risk, including the consequences for family structure and the breakup of families.

Inequalities have also often been perceived as being related to differences resulting from social inclusion or exclusion. Thus Chapter 10 investigates different groups' position in the welfare state focusing on gender, disability, age and ethnicity. This includes issues such as whether societies are making new divisions between those included and excluded and whether the welfare state can reduce, reinforce or change the roles of, for example, gender and ethnicity. What is the mainstream explanation of, for example, ethnic segregation, and how can we see its impact on welfare states and their way of functioning? Migration and its impact on welfare states is also included, given that both within the EU and globally there are issues that might have an impact on the development of the welfare state. These types of questions thus reinforce a new approach to inequality and equal opportunities in modern societies. Another question is whether this is different in various welfare regimes.

Having presented these central aspects of modern welfare societies in the third part, the fourth and final part moves on to discuss possible impacts on welfare states from globalisation and Europeanisation, and what is happening as a consequence thereof. This part also includes new approaches in the ways the welfare state may be organised and steered.

The governance of the welfare state is changing. There appears no longer to be just one type of management and one way of structuring the welfare state. Chapter 11 turns to this development. However, given the fiscal constraints of welfare states, there has increasingly

been a focus on more effective, leaner and more strongly managed welfare states, while at the same time a stronger focus on users' perspectives, and involvement of the market and civil society. Furthermore increasing attention is given to being informed about decision making on what works and what does not work. Evidence-based policy is thus increasingly important. Therefore the chapter also discusses how to measure policies and social intervention in social policy, including the impact of context and how one is able to ensure consistency about knowledge of what works best. The tradition of health care thus increasingly also enters the heart of social policy studies and is used in policy making and administration. Furthermore, there has been increased attention to trying to influence behaviour not only in the traditional way by using economic incentives (taxes and duties, economic support), public information campaigns and legal intervention (for example, bans on smoking) but also by nudging people to change their behaviour.

Chapter 12 examines the EU's role in relation to the welfare state, and whether it differs depending on welfare state regimes, and how this might change the role of the state, the market and civil society. The reason for this is the presumed increasing role played by the EU in the options and possibility of pursuing national welfare state policies. The chapter presents the EU's historical role and principles on welfare state policy, including those related to gender and migration, and then, by introducing the Open Method of Co-ordination and the role of the European Court of Justice, discusses whether welfare state policies are still national. Furthermore, the question is asked whether we are witnessing a convergence of welfare states, not just in terms of public welfare, but also occupational and fiscal welfare, and the respective roles of the state, the market and civil society. Another issue is whether recent changes in nation states' options will imply a movement towards much more similar welfare states in the developed world, which is what Esping-Andersen (1990) proposed, with three worlds of welfare capitalism reduced to one. This includes also the debate on whether welfare states are national or by now so aligned as part of global and European development that diverse welfare regimes are withering away in favour of one way of combining state, market and civil society.

Finally Chapter 13 sums up the discussions and presents some ideas about the future of the welfare state. This includes returning to the debate on demographic and financial pressures on welfare states in the light of recent developments, and also whether the legitimacy of the

welfare state is challenged by the changed role and interaction between state, market and civil society in the light of the globalisation and Europeanisation of the welfare state.

## References for Chapter 1

- Alcock, P. et al. (2001), *Welfare and Wellbeing. Richard Titmuss's Contribution to Social Policy*. Bristol, Policy Press.
- Esping-Andersen, G. (ed.) (2002), *Why We Need a New Welfare State*. Oxford, Oxford University Press.
- Fitzpatrick, T. (2001), *Welfare Theory – An Introduction*. Houndsmills, UK, Palgrave.
- Johnson, N. (1999), *Mixed Economies of Welfare. A Comparative Perspective*. London, Prentice Hall.
- Morel, N. et al. (2012), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*. Bristol, Policy Press.
- Svallfors, S. (ed.) (2012), *Contested Welfare States. Welfare Attitudes in Europe and Beyond*. Stanford CA, Stanford University Press.
- Taylor-Gooby, P. F. (2004) New Social Risks and Welfare States: New Paradigm and New Politics? In Taylor-Gooby, P. F. (ed.), *New Risks, New Welfare*. Oxford, Oxford University Press, pp. 209-248.

