Part I Trends and Problems in Common for the Welfare States

1 Identifying the Future of the Welfare State

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Introduction
The future of the welfare state concerns so many people and their well-being that it has to be considered seriously. Research on the welfare state has been a neglected area of study and it is only during the last decade that sociologists, political scientists, historians, philosophers and economists have turned their attention in that direction. The attention is clearly related to the 'crisis' of the welfare state — whether the phenomenon is seen as a crisis of, a crisis in, or a crisis by the welfare state; or a crisis located in capitalism — i.e. construction of the state or the national/international economy spilling over into the welfare state. The crisis phenomenon has so dominated our way of thinking that much of the basic thinking as to why the welfare state was constructed in the first place, is getting lost. The call for immediate solutions by politicians and influential groups overshadow the long-term functions of the welfare state and this ahistorical and limited perspective is now a much greater threat to the welfare state than pending financial problems and unsupportable unemployment rates.

This diversion from the ideological rationale for the welfare state makes it all the more important to concentrate on its future. But for this kind of research there is neither a coherent analytical framework nor an adequate methodology. Instruments for short-term planning and predictions have been developed, but the more the time horizon is
expanding the more unreliable such instruments become. But it is still possible to go beyond educated guesses.

One way of doing so is to extrapolate historical and recent trends and evaluate under which conditions these trends will continue. Another way is to identify the processes underlying the welfare state and ask whether they are so inherent in our culture that they will persist in the future. Still another way of approaching the problem is to ask how universal these processes are, given different models of the welfare state.

In this book we are using all three approaches. We accept that there is no one unifying model which allows us to compare welfare states across national boundaries (Heidenheimer et al., 1975). We also acknowledge that different welfare systems are designed and implemented on a national scale, thereby almost defying comparison and the concept of the welfare state. But in our search for unifying frames of analysis we have been struck again and again by the fact that it seems to be the same underlying processes which guide the future of the welfare states, regardless of their cultural context or their stage of development. Therefore, it is to these processes we address ourselves, trying to identify them in the historical development of different welfare states and in the mounting pressures which are now surrounding many welfare states. For this purpose we have selected countries with very dissimilar developments and nested in very different cultures, using various theoretical approaches and empirical documentation.

We are aware of the fact that the concept of the welfare state is a poor analytical concept. But since it is crucial to the ongoing debate we still chose to use it. The core idea of the welfare state is that of a state providing for citizens who are not able to cover basic needs. Basic needs are defined within a cultural context and vary from a daily ration of rice to universal economic security measured in relation to a national income. The set of welfare institutions constructed to meet basic needs is one of several operational definitions of a welfare state. The role of the state can be either that of organising, guaranteeing or acknowledging these institutions. As the concept of basic needs expands, the welfare institutions grow more comprehensive and diversified, and the role of the welfare state merges with the role of the state.

The selection of countries presented represents the embryonic welfare state, the pending welfare state and the well developed welfare state, each with their specific sets of welfare institutions.

How real is the crisis?

Much of the research so far has taken for granted that the crisis of the welfare state is real, but this raises several questions. First, it is important to distinguish between crisis symptoms and systemic crisis. Second, it is necessary to analyse the relationship between social change
and crisis. And third, it is important to ask why we, at this stage in time, are confronted with a crisis definition and what the underlying forces of such a definition are. Only when approaching these questions can we gain insight into whether the future of the welfare state is at stake, whether it needs to be dismantled to meet the crisis or whether it needs strengthening, protection or change in order to meet challenges ahead.

Society is composed of a number of systems and sub-systems which are interwoven and dependent upon each other. Changes in one of the systems are likely to bring about changes in other systems, and society is constantly adapting to these changes. Some of the systems are stable, while others undergo fundamental changes which make them lose their original content and functions. A crisis can be seen in this perspective. If one of the systems is threatened by changes that makes it lose its original content and functions, then this system is in crisis. Other systems in society can be threatened by this crisis to such an extent that they also become crisis prone. And if enough of the systems enter into a crisis, society itself will be thrown into a crisis.

Historically we can see that social change, and even rapid social change, has been a feature of all industrialised countries, and is increasingly becoming so in the developing countries. Some of this change is being absorbed in established systems, while other systems have been transformed into systems with entirely new characteristics; or have been irretrievably lost. Looking back, we can say that the latter systems were in crisis. Looking forward, we can say that social change has become inherent in all modern societies, but it is difficult to know when penetrating social change becomes a crisis and how this crisis spreads to other systems. One approach, which has been utterly misused because it has not been rooted in coherent theories about social change, is to look for crisis indicators.

In discussing social change we are not only facing methodological and theoretical considerations. We are also facing normative issues. An evaluation of the value of social change will always raise the question as to whether the change is 'better' or 'worse' than maintaining the status quo, or provoking a crisis. We shall try to leave the moral question aside here, but let the problem be mentioned.

The present crisis has been defined largely as an economic crisis, or by some, as a crisis of the management of the economy. Much of the responsibility for the crisis is being placed within the welfare state which is demanding still larger shares of the national economy. While there is little doubt that social expenditure constitutes a growing part of the national budgets (cf. Chapters 7, 9, 11 and 12), one may question whether this is an indication of a crisis in the welfare state or of the poverty of the economic models used. Demographers have forecast changes in the composition of the population which would put
heavy demands on social expenditures (Chapter 7), but the economists have not incorporated in their models the micro- and macro-economics of the welfare state. For example, while unemployment is a central variable, expenditure for unemployment benefits is a peripheral variable, as is the economic behaviour of the unemployed. It seems that social change has come so rapidly that the economists have not been able to cope with it intellectually. An easy, but much too simplistic explanation is to define the welfare state as being in crisis.

Nevertheless the economists are not alone. Mishra (Chapter 2) shows how sociologists have ignored the analysis of the welfare state and instead focus on social problems, social policies and institutional analysis. Although sociologists are trained to analyse the structure and functioning of society as a whole, they have not developed theories of the welfare state which can help us in the present situation. There is no precise definition of a welfare state, although there is widespread agreement on its functions. Also, it should be borne in mind, that the welfare state may not even be a useful analytical concept, however popular it is, because many of the functions of the welfare state cannot be separated from other political and economic responsibilities of the national state. The East-European countries, for example, do not use the concept of the welfare state — admittedly for ideological reasons — but their range of social provisions for their citizens reaches far beyond that of countries which regard themselves as true welfare states (Chapter 10). The Japanese welfare provisions, though well developed, are not organised in the context of the national state (see Chapter 8).

Himmelstrand (Chapter 3) argues that it is not the welfare state as such which is in crisis but the mature capitalistic society and the way we have arranged vital functions around the capitalistic way of life, which are in jeopardy. He points to the growing number of 'external effects' of capitalist production which the welfare state slowly and reluctantly is being forced to take over. One of the basic functions of the welfare state was to shield marginal individuals from the impact of the market forces. But the welfare state now encompasses the majority of the population and through its emphasis on quality of life and social rights acts both as a buffer between capitalistic interests and a vehicle of these interests, thereby creating internal contradictions which society has no model for coping with.

Rupesinghe (Chapter 15) shows in his analysis of Sri Lanka how the introduction of an international capitalistic culture not only breaks down an established and modest welfare state based on benefits in kind, but actually demands that the majority of benefits be abolished in order for the new society to take over. This introduction of crisis in the welfare system seems to have severe repercussions for other parts of society, especially the political system, thereby creating a political
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instability which might undermine the 'modernising' of the economy and throw the whole society into crisis.

Piven and Cloward (Chapter 4) give a historical account of how the ideological and structural separation of the economic from the political system both strengthened capitalist society and delayed the advancement of a welfare state in the USA. People participated in 'politics', but it was not a politics of property and redistribution, and social problems were excluded as irrelevant to the public economy. However, as the US economy expanded in the twentieth century, so did the 'externalities' and the business community's need for state intervention. The crisis in the economic system between the two world wars brought about profound changes in the political system and popular demands for state intervention in favour of unemployment benefits, pensions for the aged, low-cost housing, legislation regulating the work sphere, etc., challenged the laissez-faire ideology.

Here, as in many other countries, the crisis in the economic system actually acted as a 'midwife' to the welfare state. The Reagan administration has been trying to restore the ideology of less state intervention in order to save the economy from what is defined as a crisis. But US social programmes now constitute a large and intricate apparatus of governmental and quasi-governmental organisations that are interwoven in the political system. Therefore, they are more difficult to dismantle and less crisis prone than before.

Heinze, Hinrichs and Olk (Chapter 5) locate the crisis in the administrative organisation of the welfare state which was created for other purposes and now is incapable of handling the complex problems which face it. The example they use is the fragmented organisational system for controlling unemployment in West Germany which used to be an administration of unemployment benefits. The many actors involved respond rationally within their own sub-system, but the sum of their decision-making creates an irrational response which defeats efficient action. They argue that the continuation of the welfare state in its present form depends on a sufficient demand for labour since individual income is distributed through participation in the labour market. While Piven and Cloward (Chapter 4) stress the fact that it is in the interest of capitalism to keep unemployment rates high, Heinze, Hinrichs and Olk stress the fact that structural barriers undermine the consensus and innovation which the political administrative system needs in order to solve the transnational problem of threatening unemployment rates.

What we are witnessing are societies in rapid change, which are subject to forces we know much too little about, whether it be the impact of new technology, complex decision-making processes, demands for extended democratic rights, demographic changes, unfamiliar political and economic constellations or new channels for information, etc. The welfare state is affected by these forces, as is the
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rest of society. But why is it that the welfare state becomes the main object of a crisis definition and a prime target for criticism?

One answer could be that the modern welfare state now involves such a large number of citizens that the concern is more widespread. However, these people also have a stake in defending their rights under the welfare state. Opinion polls made in several western countries show that the majority of the population is against changes that will impede these rights. Still the welfare state is under attack. It is accused of creating a crisis, through high social expenditures which undermine and twist the national economy (whether in Sri Lanka or the USA), through the level of unemployment benefits which is seen to contribute to unemployment and distortion of the labour market, and through its ideology which is considered contradictory to important social goals. The welfare state is also accused of being in crisis because of lack of financing, rigid organisation, poor delivery of services, unsolved problems, and never ending needs for expansion.

All these arguments are no doubt valid, but the sum of the argument does not necessarily reveal a welfare state in crisis.

Historically, none of the arguments are new — only the vocabulary and the sophistication of the statements have changed. This, of course, is closely related to the very nature of the welfare state, the initial struggle for its development and the challenges which emerging and more developed welfare states still face — and will still face in the future.

Much of the recent literature on social policy and the welfare state has defined the functions (both intended and unintended) of specific social programmes and the welfare state as a macro-social phenomenon. Most of the authors see the welfare state as a way of bridging conflicts of interest, between classes, different distributional systems, market forces and human needs, majority and marginal groups, and between interests of specific kinds. More generally, the welfare state is seen as setting the limits to the degree of social distance which a society can accept without conflict emerging. At the same time the welfare state serves as frame for bridging all these conflicts and a legitimation of the political and economic arrangements and institutions which represent these interests (Dahrendorf 1958; Titmuss 1958; Rex 1961; Piven and Cloward 1971; Øyen 1974; Korpi 1978; Flora and Heidenheimer 1981; Mishra 1981).

However, the welfare state is far from being a perfect vehicle for bridging the kinds of conflict which seem to be part of all societies. Welfare states vary in the degree to which they have confined the conflicts in institutional forms, and to the degree the redistributinal measures have been accepted by the parties involved. But within them all are ongoing battles as to how far redistribution should go, how far social rights should be extended, what kind of new beneficiaries should
be included, how much state intervention should be allowed, and who should give up privileges in order to extend the welfare state. Some of the battles have been violent, some have been forced to the surface by the underprivileged themselves, while others have been taken up by intellectuals and the middle class and turned into universalistic programmes.

The interests of capital, represented by the business community, the industrialists and the conservative forces, have always seen the welfare state as a threat to their interests, and with good reason since the welfare state sprung out of an effort to curb these same interests. Through compromises and indirect means of control they have influenced the shape of the welfare state and incorporated their interests in such a way that the welfare state provides part of the infrastructure of capitalism, and capitalistic ideology has become part of the welfare state (Chapter 3).

During the 1960s and early 1970s radicals in most of the Western welfare states attacked their governments for not having gone far enough in solving social problems, abandoning class differences, incorporating minorities and creating a more just basis for income distribution and social wages. In the forefront were social scientists who exposed poverty, inequalities, lack of opportunities and the vicious circle of maldevelopment. The welfare states certainly expanded during this period, as the increases in social expenditure, coverage of people, quantity of social programmes and the number of employees working for the welfare state reveal. But it is probably fair to add that this expansion was more a result of a general expansion in the economy rather than of the efforts of radicals and social scientists.

When the economy receded the scales tipped and the more conservative forces took over with the crisis definition of the welfare state. The radicals withdrew their criticism for fear of an unholy alliance which would harm the welfare state. However, they had helped lay the foundation for the conservative critics and their argument that there was a crisis in the welfare state in that it was not meeting social needs, which was transformed into a claim that there was a crisis of the welfare state and an economic crisis created by the welfare state. The crisis definition is now being used as an ideological basis for reducing social expenditure, changing redistributive patterns in disfavour of the marginal groups and reducing government responsibility in social policy. This attitude may be seen in relation to a more general social change from labour intensive to capital intensive industries which in principle render the pacifying power of the welfare state more insignificant. For some it becomes profitable to define the crisis as so 'real' that drastic measures have to be taken in order to halt the expansion of the welfare state— or better, reverse its development.

Besides these traditional actors on the arena of the welfare state,
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there are also other actors who have a vested interest in the future of the welfare state and who will throw their strength into keeping the status quo or changing the discourse according to which most serves their interests. The labour unions, for example, have taken very different roles: in Scandinavia they have aided the development of the welfare state; in the USA they have taken over welfare rights; and in Australia they have remained on the side line of the welfare state. Now labour unions in these countries, as well as in many other countries, realise that social wages are a very important supplement to ordinary wages and are worth fighting for. The professionals, as well as the bureaucrats who make a living and a meaningful existence through the welfare state, have a heavy interest in keeping the status quo. Even the medical associations which in all countries have fought against incorporation in the welfare state services, are now realising that competition among medical doctors in the industrialised countries is growing fierce and a closer integration into the welfare state is offering their group a certain economic protection. Voluntary agencies, ideological societies, self-help groups and other private organisations try to sell their services through the welfare state. Hospitals as well as research units depend on the welfare state for funding and try to bend the welfare state to suit their purposes. For many groups wage settlements are no longer a two party agreement between employers and employees, but a three party negotiation with welfare benefits as a mediating element.

For analysts of the welfare state the outcomes of all these activities are difficult to evaluate. We know much too little about the changes of composition of the groups involved, the nature of their ideologies, the immanent contradictions of their behaviour, the intensity and impact of their activities and the channels through which their influence is directed.

The strength of the activity of all these interest groups is hardly surprising. The welfare state is turning into one of the most important institutions of redistribution, second only to the labour market and the family and is gaining on both these institutions. In some countries social expenditure constitutes up to a third of all public expenditure, one fifth of the population get their entire economic support in benefits in cash, while many more receive benefits in kind through institutional care, health services, etc. The rewards of managing to define a group as 'needy' under a well developed welfare state can be profitable for its members, especially if individual taxes are high and progressive. Much can also be gained if competing groups can be squeezed out of the welfare market or their rights be questioned. When this happens in a poorly developed welfare state, the loss of a group being excluded in this way can be a matter of life or death (see Chapter 15).
The welfare state has become an instrument of power, through the number of citizens it affects, the size of its economy and the interests vested in it, and as such, it has also become part of a power game. A crisis definition, for example, can be seen as part of this power game — as can calls to support the present welfare state. The rules by which to play the game are partly institutionalised, but much of the scene is left for innovative and unorthodox behaviour from pressure group activities outside accepted channels, the labelling of 'enemies' as misusers, and depicting imagined and undocumented consequences of social security spending.

The scene is complex, and it is this unruly kaleidoscope of actors, activities and external forces which we are facing when we try to probe into the future of the welfare state.

The search for new solutions
The welfare state is not built upon an inner logic from which policy decisions can be deduced. Although some of the more developed welfare states have a dominant ideology, the implementation does not reflect a coherent system of social programmes. Since the welfare state has grown out of the many conflicting interests, it has also coopted and integrated them into its system. In the process the welfare state has become an extremely complex organisation of programmes, legislation and ideologies, the internal logic of which is at best difficult to discern, and at worst directly counteractive to the idea of a welfare state. This complexity has become a distinct feature of the welfare states. It only adds to the complexity discussed earlier in relation to the many interest groups involved in the welfare scene and the rapid social changes confronting most countries.

Faced with this complexity and a range of problems for which there are no precedents, it seems that governments are turning to the past for solutions when pushed to make decisions on the welfare state. The disturbing uncertainty of future challenges are met with the security of former time, although the old solutions hardly seem to solve the problems. The very market forces that the welfare state was developed to curb, are called upon again in order to meet the 'crisis'. State intervention which developed as a guarantee for equal access to welfare provisions, is to be reduced, private organisations and the family are again seen as the most adequate units for extending welfare, while self-help groups are being encouraged. Centralised responsibility for social programmes is being returned to the local communities, now under the label of democratic reforms, and hard-won universalistic measures are being questioned. Redistributional systems in favour of the less privileged are slackened. High unemployment rates are now defined as tolerable and even necessary for a healthy national economy, while unemployment compensations are decreasing.
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Altogether, it looks like these 'solutions' have swept over the world, regardless of the size and content of the problems they are intended to solve.

The intricate question is not only whether these responses are adequate solutions to perceived and real problems. It is also important to ask if the processes underlying these solutions are related to the welfare state as such, and what are the implications for the future of the welfare state in the implementation of such solutions.

In all the countries surveyed in this book the call for these kinds of solutions has increased strongly during the last few years, the only exception being Japan. The demands for the solutions have been set forward independent of the degree of development of the welfare states or the colour of the political party in power. They have also been forwarded independent of whether economic difficulties have penetrated the national economies or only touched upon the fringes, whether state intervention and bureaucratic responsibility are extensive or limited, and whether national unemployment rates are unusually high or moderate.

This could be an indicator that the problems per se are not the main target of the solutions. While the complexity of the welfare state has no inner logic, most of the solutions can be seen as firmly rooted in an adjusted capitalistic laissez-faire ideology aimed at the welfare state. Part of the ideology is explicitly linked to rational economic models (e.g. 'neo-conservatism' in Sri Lanka and USA). Much of the ideology, however, is also formed through the many small and independent decisions made in response to an unidentified and incoherent crisis definition. The welfare state itself offers no answers, so the lack of alternative forces a choice between two possibilities which in fact compliment each other, namely the solutions offered in the early days of the welfare state and those of present-day neo-capitalism. Since it is also the neo-capitalistic ideology which has produced the present crisis definition, it only seems reasonable that the many small decision-making units should seek their solutions within this frame of reference.

There is little doubt that the sum of solutions offered is detrimental to the welfare state and, if carried forward with sufficient strength and intensity may be fatal, or, in our terminology, can throw the welfare state into a real crisis which will strip it of its present content and functions. These forces set into motion have been called 'recapitalization of capitalism' (Miller 1978), and are the same antagonistic forces which had initially to be overcome in order to develop a welfare state (Mishra 1981).

The welfare states respond differently to the pressure to find new solutions. In general terms it can be said that the more developed the welfare states are, the less likely they are to yield to new ideas which are counteractive to the social programmes developed. But here the
content and organisation of the welfare state has a decisive influence (Øyen 1980 and 1984). Welfare states with universal benefit programmes are less subject to change because infringement of social rights challenges large segments of the population. In his analysis of the Scandinavian countries Johansen (Chapter 9) shows how these countries have been under attack because of steep increases in social expenditure and taxes. New political parties have been formed as a result of this criticism, but no major programmes have been abandoned and social expenditure has more or less kept on increasing. The vested interests in maintaining the status quo are so widespread that much of the criticism can be seen as symbolic rhetoric.

New Zealand as described by Jack (Chapter 11) and Austria as described by Busch et al. (Chapter 12), are other examples of stable welfare states based upon universal principles, which are resisting calls for basic changes. Welfare states which incorporate vital interest groups or have developed interest groups within the organisation of the welfare state, have defenders built into the system who are reluctant to accept change and who are in a position to defend their vested interests (Dethrick 1979). The USA, as described by Piven and Cloward (Chapter 4) and West Germany, as described by Grunow (Chapter 13), can also be described as relatively stable in this sense.

Welfare states which reflect the work ethic of the country, as well as other basic norms, are also less prone to the 'new' solutions. The prime example here is Japan where it is institutionally difficult to distinguish between work and welfare, and the ethic of collectivist welfare is expressed through the work place rather than a national welfare state (Chapter 8). The demands for reform along the lines discussed above have therefore been negligible. While the fragile welfare state of Sri Lanka stands to be crushed under the weight of new reforms (Chapter 15). The stability of the well-developed Hungarian welfare state is subjected to different political forces. Interest groups and neo-conservative solutions are apparent but in principle are more effectively controlled (Chapter 10).

None the less changes are occurring in every welfare state and these changes now seem to be moving in the same direction. If allowed to continue they can profoundly alter the profile and functions of the welfare state. Two of the main trends, namely the effects of changes in redistributive patterns and the role of the state merit special attention.

The welfare state is based on the idea that distribution of individual income should not entirely be left to market forces. Through taxation, subsidies and transfers in cash and kind, social wages go through a process of redistribution. The extent and direction of redistributive measures vary from country to country as do the principles for redistribution and the groups benefiting from these transfers.

One of the pronounced aims of the welfare state is to alleviate the
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impact of poverty on the individual and the family; another is to pro-
vide an income for those who are excluded permanently or temporarily
from the labour market. While the more superior goal is to reach a
more equitable distribution of resources in the wider sense, i.e. social
wages, influence, status and power. Some of the welfare states have
gone quite far in securing social and economic rights for deprived and
marginal groups. But in all the countries surveyed, whether they are
well-developed welfare states or not, the tendency is that the re-
distributional patterns are changing to the detriment of the most
disadvantaged and marginal groups. They are losing out both in relative
and absolute terms. The decision making is done inside the traditional
welfare sector as well as in other sectors and producing mainly
incremental and unconnected decisions. Three key decision-making
spheres can be distinguished: social policy, general fiscal policy and
industrial policy.

In the area of social policy-making it can be safely said that in both
developed and developing welfare states progress has come to a halt.
Few new programmes are being introduced, and established pro-
grammes are being assessed with an eye to greater efficiency and cost-
cutting. However, major programmes do not seem to be abandoned,
although incremental changes erode the principles upon which they are
built. The non-institutionalised sector is the easiest target, and para-
doxical though it may be, this is also where the traditional clientele
of the welfare state is found. The major part of social expenditure is
bound up in institutional care, wages and universal programmes. Politi-
cally they are difficult to touch. It is easier to cut expenditure for the
most marginal groups, such as the invisible poor. They are unlikely to
mount a threatening protest and have least public support. But
universal programmes are also under attack, and this is where the most
fundamental changes can come about. Logically it can be argued that
social expenditure should be directed towards those groups who are
 needy rather than diverting scarce resources to the population at large.
Much can be said in favour of selectivity as opposed to universalism —
whether the argument is based on the justice of redistribution or simply
on cost saving — but the long-term effect of such a course is likely to
weaken the loyalty of citizens who do not profit from it. They will
turn to private solutions, while the less well off will again be left to
fight for their own interests.

One of the main channels of redistribution is of course general fiscal
policy, but increasing inflation rates are sapping the efficiency of this
policy instrument. Inflation always hits the poor and the low-income
earners the hardest because food and housing seize the main part of
their available means. Kenya is the extreme example here (Chapter 14),
but Britain can serve as an example just as well. Labour unions and
other employees' interest groups fight to compensate for deflating
wages. Organised defenders of welfare rights have also been quite successful in securing a certain inflationary compensation, while large groups of welfare beneficiaries are losing out. Some welfare programmes have been abolished or subsidies withdrawn, but more programmes have deteriorated, not because of explicit political decisions, but because of lack of compensation for increasing inflation. On the other hand, many welfare states are witnessing an explicit policy of individual tax cuts designed to boost the national economy. While taking nothing directly from the poor, this kind of (re)distribution puts the disadvantaged in a relatively worse position because tax deductions favour only those participating in the labour market and especially those with above average incomes (Townsend 1979).

On the scene of the labour market unemployment is, of course, the crucial variable. It is partly independent of the national economy, partly used to balance national accounts. The burden of unemployment is mainly carried by unskilled and disabled workers, married women and the aging. Retirement ages are lowered to keep down the labour supply, but at the same time retirement and unemployment benefits are cut in real terms as a result of rising inflation.

'Displacement strategies' have been successful both in West Germany and Austria to make foreign workers return to their native countries where employment opportunities are even worse. In most welfare states rights to benefits are linked to occupational welfare and those who are denied entry into the labour market are also denied welfare rights. Thus the welfare state creates new class divisions. The welfare state also defines a new non-productive class, for example, through regulation of retirement age and the number of compulsory years of schooling for the young population (Chapter 7). At the same time it more or less ignores the informal economy of the unpaid labour market where women are massively overrepresented and are the last to gain entrance to the formal economy and the welfare rights of the labour market (Chapter 6).

The second trend which can alter the profile and functions of the welfare state is the changing role of the government. Part of the ideology of the welfare state is based on the idea of government responsibility for social programmes, because government is seen — rightly or wrongly — as a guarantor of justice, a defender of the weaker groups in society, a controller of quality of service, an independent judge in conflicts, and a reliable source of funding. Underneath lies the assumption that there is a need for a dominant public sector to counteract the impact of a dominant private market sector which is crucial in creating wealth as well as poverty. Conceptually it is assumed that a distinction can be made between a public and a private economy, and a public and a private sphere of responsibility, although there are others who argue against this (e.g. van Gunsteren and Rein 1984).
There is little doubt, however, that much of the future argument about the welfare state will be over the muddled issue of state intervention. The call for 'privatisation' of public welfare services has been made world wide, and again, it makes little difference whether the country has a well- or poorly-developed welfare state, or even the extent to which the state presently intervenes. The solution offered is still less state intervention, regardless of the problems being faced. Even in Kenya where the public sector is small, and smaller yet in the welfare sector, the call is for privatisation, in spite of the widespread pressure from the population for more extensive social services and less disparity in access (Chapter 14).

Privatisation takes different forms. One is to let the private market take over welfare provisions as a commercial proposition, the idea being that a profit-oriented organisation is more efficient than a public agency. Privatisation of hospitals can serve as an example here. Another form is to subsidise voluntary agencies, through public grants, to take over welfare services. This arrangement is the basis for the functioning of the Australian and American welfare systems, whereas the proportion of such agencies in the Scandinavian countries is negligible. A third form is the introduction of fees for services which were formerly free or subsidised, such as medical treatment or home help services. A fourth means of privatisation is to decrease the capacity of institutions and return dependent elderly persons, disabled people and children to the family for care, and to encourage and financially support self-help groups. Another form is reduction of national economic responsibility and the return of nationwide programmes to local communities, to be organised and financed locally.

There is nothing new about any of these methods. They are in varying degrees part of the welfare state, and always will be. Although it is difficult to assess the impact of privatisation tendencies, there is little doubt that in all the countries surveyed trends are moving towards privatisation. In his analysis Grunow (Chapter 13) shows how these trends coincide with, and in some cases are reactions to, the shortcomings of the welfare state in providing adequate services. The development of these trends is also part of the process discussed earlier in this chapter, where capitalistic market forces are able to exploit the antagonism towards the welfare state, created through their own crisis definition of the welfare state.

Those who stand to lose in this development are those who cannot afford private hospitals, medical insurances and increased fees for services; women who are brought back into the caring role without the welfare rights of employment; former beneficiaries of welfare services which have been privatised and who are not deemed eligible by voluntary agencies; and local communities whose economy is faltering under the new financial burdens imposed by central government and
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who are thereby prevented from providing high quality welfare services.

Here the vicious circle is evident. Those individuals and groups who bear the social costs of privatisation are further marginalised as a result (Walker 1983), as are those who lose out due to changing redistributional patterns. While there may not be a systemic crisis of the welfare state, there is no doubt that as a result of the two major trends analysed in this chapter, large numbers of individual crises have been created and their number is increasing.

Comparing futures

The welfare states are very different in structure and function, and this will be decisive in their futures. The welfare states will continue to develop within their cultural context because human needs, except for the very basic needs, are not absolute but created within a cultural context. The processes identified above, whereby redistributional patterns are changing in disfavour of the more disadvantaged and marginal groups, and state responsibility for welfare measures is withdrawn, are trends which loom over the future of all welfare states. The core of the welfare state is the protection of deprived groups, and if these trends are carried further they will alter both the structure and the functions of the welfare state. The poorly-developed welfare states are more exposed to these changes than the better-developed welfare states, as argued earlier in this chapter. In an international context the poorly-developed welfare states take the role of the disadvantaged and marginal groups which are victimised by the worldwide restructuring of production under rapid social change.

The well-developed welfare states seem fairly stable, but they have problems of their own. Their stability is also a sign of rigidity which makes them inert as policy instruments and slow to adapt to change. Bureaucracies tend to develop an inner life where internal goal satisfaction is given priority over external expectations. The welfare bureaucracies are no exception and much criticism is directed towards the quality of service delivery. The welfare state has also become so complex that large parts of it are left outside political mechanisms of control. Nevertheless, the concept of social wages has now come on the agenda of the ordinary citizens and social rights are being extended to include also an insight into the distribution of social wages. This insight may in turn lead to a comparison of benefits across groups of beneficiaries and a re-evaluation of traditional criteria of allocation. So far the interest has been limited to discussions of selective versus universal benefits and has been confined within the arena of social policy and the crisis definition. Once the concept of social wages becomes fully linked to the labour market, the ongoing discussion of work sharing and the failure of the market to provide incomes for well skilled and able-bodied citizens, then the call for a
national guaranteed income based on a wide range of temporary or permanent absence from the labour market can become salient items on political agenda. Such an 'absence income' may reduce the threatening complexity of the welfare state and absorb some of the pressures for a more equitable incomes policy to benefit those people whose incomes cannot be generated through the labour market.

It now looks as if the industrialised world is facing a new economic upswing. If this is the case it is important to ask what implications this could have for the future of the welfare state and the present crisis definition. The ideology of the welfare states was more or less created during a time of increasing poverty and economic insecurity, while the implementation of welfare states came at a time of economic growth. But few new ideas which can be channelled into new welfare state developments have been generated during the present 'crisis'. It seems as if the intellectual and political energy has concentrated on defending the present welfare state, rather than accepting its defaults and looking into the future for a welfare state which can become an even better instrument for social rights. There has been no massive resistance to the incremental changes that the welfare states are going through. The rising unemployment rates were expected to lead to unrest and attacks on respective governments, as for example in Britain. Very few co-ordinated attacks which could have led to systemic change, have been mounted. This is partly because the unemployed are marginalised, partly because further unemployment and threats about a national crisis have kept the general public from finding a common cause with the unemployed. It was also expected that the social stability which the welfare state helped create would be eroded as the welfare state marginalised deprived groups. So far this has not happened, but here the time span may be too short for any effects to be apparent yet. The question remains as to how far the marginalising process can continue and how far influential groups can go in increasing their share of the social wages before the stabilising effect of the welfare state is undermined.

The poorly-developed welfare states are fighting to survive within national economies which give low priority to welfare measures. There is also little internal agreement on the desirability of developing welfare measures. The economic crisis is a true crisis for the budding welfare states where the effect of a single increase in oil prices can be the size of a national budget for medical expenditure. From the point of view of the national economy it seems legitimate to give priority to the productive part of the population, but the social unrest is sizeable and demands for welfare rights as well as political rights are increasing everywhere. The theory is that a well-developed welfare state constitutes a stabilising environment for economic as well as cultural conflicts, and that social stability in turn increases productivity and
foreign investments. Here the poorly-developed welfare states are caught in a vicious circle where there is no economic surplus to feed into either the welfare state or production; and poverty and the threat of social unrest hampers further an economy which in many of the developing countries would otherwise yield a surplus.

The relationship between the poorly-developed and the well-developed welfare states shows many resemblances to the relationship between the poor and the rich in industrialised countries prior to the development of their welfare systems. In relation to the developed countries the developing countries are now struggling for a more favourable distribution of resources, more political influence in the world community and more respect for their cultural backgrounds. Their economy has been internationalised to such a degree that they have become caught by market forces over which they have no control. Rapid social change also impedes these countries more because their poverty leaves them with few resources to counteract the impact of changing technology and changing markets. Their story on the international level is much the same as that of the deprived groups on the national level in industrialised countries prior to the existence of a well-developed welfare state. The deprived of the pre-welfare state countries fought for better incomes, protection from market exploitation, economic security, welfare rights and social rights and this resulted in what is now labelled the welfare state. History repeats itself when the developed countries are as unwilling to grant these privileges to the developing countries as were the wealthy industrialists, the bourgeoisie and the business community reluctant to relinquish privileges in the early days of the welfare state.

It is an interesting area of analysis to consider how far it is possible to draw parallels between these two developments separated by time and culture. Of particular interest is whether the relationship between the developing and developed welfare states, regardless of present circumstances, is subjected to the same kind of dependencies and forces which changed the relationship between the wealthy influential and the poor masses in the time of the pre-welfare states. If so, it will be intriguing to follow the strategies pursued to improve international social rights and see if coalitions for self defence can be directed towards this goal. Several international organisations and agreements have been formed which can be turned into useful instruments for this purpose. The formerly forceful weapon of strike action, used in an international community with high rates of unemployment, is not likely to be very successful but an economic strike refusing to pay crippling foreign debts may be a new and powerful weapon.

The scenario of an international welfare state may never be seen, and certainly not in the near future. Some welfare rights are now slowly
being extended across national boundaries, but only in symmetrical exchanges, as for example within the European community. Otherwise the well-developed welfare states are extending foreign aid as charity to meet the needs of overwhelming famine, and are keeping welfare rights strictly within their own national boundaries. In the meantime, in almost all other spheres of social life, the world is growing still more international.

References


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