

THE MUFFLING EFFECT OF SOCIAL POLICY:
A COMPARISON OF SOCIAL SECURITY SYSTEMS AND
THEIR CONFLICT POTENTIAL IN AUSTRALIA,
THE UNITED STATES AND NORWAY*

Else Øyen

Abstract The arena of social policy could be a constant battlefield were it not confined within political institutions. Conflicts are extended into the organisation of social programmes and exert pressure on policy objectives and the contents of the programmes. Social programmes can accommodate these pressures in different ways. During this process programmes become transformed, some to such an extent that their social policy value diminishes and they serve other needs than those which they were designed to meet. This is *the muffling effect of social policy*. Ideally a social programme can be constructed with a low conflict potential. In this paper some basic characteristics of a low conflict system of social security are identified. Three different systems of social security are compared with regard to these characteristics and it is asked how conflict-ridden the different systems have been since they were first introduced. The model seems to have some predictive power. The methodological problems of such an approach are discussed.

Introduction

Much of the recent literature on social policy and the welfare state has focussed on intended and unintended functions of specific social programmes as well as the welfare state as a macro-social phenomenon. For most of the authors social policy is seen as an instrument for bridging conflicts between classes, between interest groups, between different distributional systems, between majority and marginal groups, and between market forces and human needs; but also as a means of legitimating political and economic institutions, thereby creating stability; and setting limits for how much social distance a society can accept without conflict emerging (Dahrendorf 1958; Titmuss 1958; Rex 1970; Piven and Cloward 1971; Øyen 1974; Flora and Heidenheimer 1981; Mishra 1981; Offe 1984).

The arena of social policy could be a constant battlefield were it not confined within political institutions. But social policy is far from being a perfect instrument for bridging those kinds of conflict which seem to be inherent in all societies. Conflicts are only partially absorbed by social programmes. Most of the conflicts are in different ways extended into the organisation of social programmes and exert constant pressure on policy objectives and the contents of the programmes.

Social programmes can accommodate these pressures in different ways. Some programmes become transformed to such an extent that their social

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policy value becomes merely symbolic and serves purposes quite different from the intended objectives. The very interests and forces that the programme was meant to counteract override the effect of the programme, while the continued existence of the programme serves to legitimate the purposes of those interests and forces. Some programmes integrate the dominant interests in such a way that the programme also becomes their vehicle, while others are at the outset constructed to incorporate dominant interests to avoid becoming an object of attack.

This is the *muffling effect* of social policy. In this paper we shall look at different models of muffling.

Social security as an example

There are hardly two social security systems that are alike. They vary from country to country in the way they are organised, staffed and financed; the kind of coverage they offer, criteria for entrance, size of benefits, ideological underpinnings, etc. These variations are linked to historical, political and cultural backgrounds which are too diversified to permit easy comparison. During the development and growth into mature social security systems some have been the target of criticism and conflict, while others have been shielded from conflict. The attacks have been national in character as well as of a more fundamental transnational nature.

In the following we shall raise the more general question as to *what explains the conflict potential of a social security system?* In order to approach an answer we shall make use of comparative research to go beyond specific national issues in the discussion.

We shall concentrate on the theoretical conflict potential of a social security system, which is embedded in goals and organisational structure. We are *not* raising the issue of how 'good' a system is, how well it serves as a social policy instrument, how much redistribution it implies, or how many problems it is designed to meet. These questions are highly relevant, but we leave them aside here to concentrate on the argument of how much conflict the very construction of a social security system creates, other things being equal.

In the first part we shall look at the *ideal* conditions for a low conflict social security system. In the second part social security systems are compared with respect to conflict potential in three very different countries, namely Australia, the United States and Norway. In the third part, some of the difficulties in this kind of research will be discussed.

Characteristics of social security systems with low conflict potential

The basic principle of social security is to protect individuals economically from the impact of certain social risks, such as the death of a provider, disability, illness, unemployment, shortcomings in the family etc. The conceivable implementations of this principle are legion.

The introduction of any new system into the established social order carries the potential for conflict. The more a new initiative violates majority norms,

3. *Cooptation of important interests*

The composition of the group of beneficiaries is significant for the stability of the social security system. The more influential or extensive the group of beneficiaries, the more likely it can control external pressures on the system. There are several ways to coopt important interests. The system can be organised around universal coverage, which will coopt both the influential groups and give them a stake in the system and ensure a broad basis of support in the population at large. The system can also be organised around important organisational interests as, for example, the labour unions, and thereby ensure powerful support. Or the system can incorporate the business community by, for example, using retirement benefits and disability pensions to alleviate the financial burden and industrial risks of employees in industry and commerce.

From that it can be argued that a system which has either *universal coverage* or *incorporates vital interest groups* among its beneficiaries is less vulnerable to conflict than a selective system aimed at the less influential groups or the most needy.

4. *Accommodation of committed defenders*

During the initiating stages, the implementation stage and the expanding stages, which all social security systems seem to have experienced, the systems are likely to be targets of criticism whatever way they are constructed. Like all other systems they depend on defenders who can turn criticism into constructive action (Derthick 1979). These defenders may be potential or actual beneficiaries. They can be an ideological group taking responsibility for the development of social security or a political party working for social security through its platform. They can also be experts or social security bureaucrats. Since the social security system is not placed in a vacuum, it is part of a political and social reality with which it interacts. The less it fits into this reality the more it will need defenders.

From that it can be argued that a social security system which is constructed in such a way that it mobilises and accommodates *committed defenders* is less vulnerable than a system without defenders.

5. *Formal and informal protection*

While it is true that the social security system is part of a political and social reality, there are also ways of protecting it from this reality and the potential criticisms. It cannot be physically isolated, but it can be isolated behind walls of expertise and language which makes it inaccessible to non-experts. The more inaccessible the system is, the fewer people outside the system will be able to voice qualified criticism and recommendations for change. In order to analyse the system they will depend on information from insiders, thereby being able to obtain objective information which can threaten the system. Another way of isolating the system is to define it as apolitical or an administrative unit of its own, which is not subject to ordinary parliamentary

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controls. An inaccessible language and a system of rule incomprehensible to outsiders have much the same function.

From that it can be argued that a system which can formally or informally be *isolated from criticism* is less vulnerable to conflict than an open accessible system.

6. *Integration into the national economy*

The social security system is not only an instrument of economic transfers to individuals. It is also part of the national economy, and fluctuations in the economy of the social security system can have repercussions for the national economy. The so-called 'crisis' of the welfare state is mainly discussed within this perspective (Øyen 1986).

For example, levels of benefit will determine levels of consumption, both for beneficiaries and non-beneficiaries. Criteria for the age of retirement, as well as the relationship between wages and levels of benefit, will have an impact on productivity and the informal and national economies. The number of beneficiaries in many countries is now so large that even smaller changes in the construction of the benefit structure can have an inflationary effect, as levels of contribution can have an anti-inflationary effect. Even if attempts are made to isolate the social security system from the political reality it is increasingly difficult to isolate it from the economic reality (Mishra 1981).

From that it can be argued that a system which has *positive functions for the national economy* (or is perceived to have positive functions) is less vulnerable to conflict than a system which has no impact or negative functions for the national economy (or is perceived in such a way).

7. *Alternative choices*

Another characteristic of a low conflict system is based on the idea of choice. The survival of a social security system will depend on whether it has any rivals which are considered more attractive. If the well-to-do get more benefits for less input through other schemes, they are not only going to withdraw from the social security system and thereby weaken it. It is also likely they will withdraw their support for the social security system, switch loyalty to another scheme or even oppose social security. This argument is being put forward in the recent discussion about the development of private health schemes in competition with public health schemes. The hegemony of the system can be upheld either by making membership in the scheme compulsory or ensuring that private alternatives are not available or too unattractive to present a threat.

From that it can be argued that a system which is *compulsory* or has *no competitors* is less vulnerable than a non-compulsory system or other available alternatives.

A first summary

A social security system built on the seven principles outlined here will not necessarily lead to the *best* system of social security, as measured by the number of problems it solves or the distributive effects it has. The purpose so far has been to show which characteristics of a social security system are likely to minimise conflict. So far the unit of analysis has been the entire social security system, not the particular programmes which make up the system. Many nuances are lost through such an approach. There has been no discussion of the variation in conflict potential during the different stages of development of the social security system, and the importance of the level of social security benefits and contributions to the system have purposely been ignored.

In the following the social security systems of three different countries will be analysed with regard to the seven characteristics of low conflict potential. The countries to be compared are the United States, Norway and Australia.

A comparison between three national social security systems with regard to conflict potential

The social security system in the United States has graded benefits and reflects the work ethic by having everybody pay the same percentage of their wages. Some adjustments have been made in order to secure a certain level of distribution. The low income groups receive a somewhat higher percentage of their income in benefits than do the middle and high income groups. In relative terms the low income groups get more back for their input than the other groups, but not in absolute terms. The American system covers all members of the workforce, but leaves out the major part of the non-workforce, or what could be termed the real social problems. The system can be said to be 'universal' for the important members of society, namely the workforce. From the beginning a small but very strong group of ideological fathers of social security made it their responsibility to organise social security, defend it from all kinds of criticism and use political and other channels to expand the system further. One means of defence was to shield the system from inspection by employing experts and constructing a complicated language which was inaccessible to outsiders. The system was made compulsory and so attractive that private insurance companies could offer relatively little competition. Until a few years ago it was never made clear what kind of relationship there was between the economy of the system and the national economy, but the defenders stressed the self-financing aspect of the system so strongly that this was widely believed (Burns 1956; Derthick 1979; Keyfitz 1981; HEW 1982; Cates 1983).

The Norwegian system is also based on graded benefits and reflects the work ethic by having everybody pay the same percentage of their wages. But contrary to the American system the coverage is truly universal as all citizens, whether in the workforce or not, are beneficiaries. The work ethic is incorporated in the way benefits are allocated. Those who have never

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participated in the workforce, or have participated little, receive the lowest benefits. Therefore redistribution is mainly from the working part of the population to the non-working part, more than between classes. So far all the political parties have been defenders of the system, which they introduced jointly. Like the American system, and maybe even more so, the system has been closed to inspection and control through the complexity of rules and specialised language. The system is compulsory and has had no competitors to speak of. Its economy is tightly interwoven with the national economy. For example, funds have been used for more general purposes, such as the strengthening of the economy of rural areas, business and industry benefit immensely by the way pensions are defined and the size of contributions and benefits have been part of national wage settlements.

The Australian system has flat-rate benefits and a means test which secures some redistribution. The system is financed through general revenue rather than individual contributions. The work ethic is taken care of by keeping benefits low. The coverage for age pensions and family allowance is universal, but most other benefits are means-tested in such a way that they become selective. Vital interest groups have not been mobilised in favour of the public system (although a lot of mobilising has been going on). Neither the social security bureaucracy nor the politicians has been strong defenders of the present system, the political parties having different or no views as to how the system should be reorganised. The system has partly been closed to inspection through its complexity, but both inside and outside expertise has been organised to provide oversight. The system cannot be compulsory as it is not financed by individual contributions and it has a number of competitors, both in private insurance and among voluntary organisations. It is always difficult to say what kind of influence such a complex system has on the national economy but, being entirely financed by tax revenue, the system is perceived as draining the public budgets and the individual tax-payer of funds (Kewley 1980; Tulloch 1980; Mendelsohn 1982; Dixon 1983; Edwards 1983).

According to our criteria for conflict avoidance there is little doubt that the Australian social security system is most prone to conflict, while both the American and Norwegian systems – however different they are – are much less vulnerable.

Table A gives an overview of the social security characteristics in the three countries. The table is based on an overall impression of the entire social security system for each of the three countries. Had the table been made to show the specific programmes under each of the three systems the picture would have been different. The pension programmes for the aged, for example, would be among the programmes showing the lowest conflict potential in all three countries. The unemployment programmes would come out with a higher conflict potential for all three countries, but markedly higher in the United States and Australia.

TABLE A. An overview of social security features in USA, Norway and Australia, as derived from characteristics for systems with a low conflict potential.

Characteristics of low conflict potential	Derived features of low conflict social security systems	USA	NORWAY	AUSTRALIA
1. Reflection of established inequalities	Graded benefits according to income	+	+	-
2. Reflection of work ethic	Financing of benefits linked to employment	++	- (+)	+ (-)
3. Cooptation of important interests	Universal coverage/coverage of vital interest groups	+	+	- (+)
4. Accommodation of committed defenders	Integration into political programme, development of organizational interests or ideological legitimacy	+	++	-
5. Formal and informal protection	Complex rules, specific jargon, expert rule and call for autonomy	+	+	-
6. Integration into national economy	Positive functions for national economy (actual or perceived)	?	+	-
7. Alternative choices	Compulsory system, no other alternatives	+	+	-

+ Positive relationship between characteristics and features

+ + Strong positive relationship

- Negative relationship

(+) and (-) Weak or ambiguous relationship

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Evidence of conflict

According to our model the Australian social security system should have experienced more conflict than the other two systems and it should be prone to more conflict than the others. So far we have done little to define what is meant by conflict, but hinted that public criticism, antagonism towards beneficiaries, failing legitimacy and pressure to change the system are reflections of on-going conflict pertaining to social security programmes. The parties to the conflict have not been identified either, nor has there been a distinction between criticism from above and criticism from below. We shall leave the discussion at this level of imprecision and find evidence of conflict in the history of the systems and political analyses of more recent events (Burns 1956; Derthick 1979; Kewley 1980; Tulloch 1980; Dixon and Jayasuria 1983; Kuhnle 1983; Baldock and Cass 1984; Seip 1984).

A review of the history and present situation of the three social security systems does show that the Australian system has been much more exposed to conflict than either of the other systems. Both the American and Norwegian social security systems have been relatively free from conflict. The Norwegian system underwent many conflicts and delays in the initial period, but was launched on a programme written jointly by all political parties. Since then the system has experienced hardly any conflicts except for an intensive discussion on the introduction of sickness benefits for the non-governmental workforce in 1978. The American system did not even experience conflict in the initial stages, but then it was almost sneaked in through the backdoor in Congress. The Australian system was introduced without too many difficulties, but has been riddled with conflict throughout its history. All three systems have experienced rapid growth in expenditure during the last decade and all three systems have been defined as objects of crisis during the last few years. In Australia and the United States the focus has been on increasing individual taxation perceived as a consequence of excessive social security spending. The Norwegian debate has been less vigorous and focussed more on general public spending. The problems have been met in different ways, because the construction of the systems provide them with different degrees of protection from attacks. The Australian system has slowly and incrementally deteriorated, without any kind of fundamental public debate as to where the future of the social security system should aim. So far inflation has been the master of the cuts. The new Labour government has foreshadowed a review of the system.

The American system has been violently attacked by the Republican government, which made it part of its programme to cut social expenditure. But relatively few changes have occurred. The cuts have come in social aid programmes which are located outside the social security system. The Norwegian system has not so far experienced cuts or changes to speak of, but a committee has been at work to analyse how future expenses can be curbed. It can be predicted that no major changes are likely to occur, at least not without solid backing across party lines.

Methodological Problems

This analysis raises many kinds of methodological questions. The classical problems in comparing institutions across national boundaries are but one.

The level of abstraction is high, probably too high. Problems concerning operationalisation and level of conflict have already been mentioned and so has the need for building the time dimension into the theory. The relationship between the seven variables presented, their strength, interrelationship and interchangeability have not been discussed, although it is certainly an important methodological issue. The seven variables constitute a basic, but not exhaustive, list and the overview in Table A is based on an impressionistic average which calls for more sophisticated measures. Also, there has been no discussion of how the level of benefits and the wider issue of taxation influences the model. This is just to mention some of the most evident problems.

Another set of problems relate to the discussion as to which variables are to be considered the dependent ones and which the independent ones. Social policy can at the same time be seen as an instrument for bridging conflicts *and* one which can create conflicts. This is one of the inherent paradoxes of social policy. No question has been raised here as to what kind of conflicts the social security system was designed to meet at the outset or what kind of conflicts spilled over into the actual construction of the system. The model is stripped of these considerations in order to study *the muffling effect*, i.e. the ways in which a social programme can accommodate external and even alien pressures, and to pose the question as to how much conflict the very *construction* of a social security system creates: put in a different way, how successful was the muffling effect.

The model can be said to have a certain predictive power as in showing where conflicts are likely to occur in the future. It can also help identify those national social security systems, or specific programmes within the system, which will be most resistant to the increasing pressures and changes which the systems face.

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Address: Department of Health and Social Policy Studies, University of Bergen, N-5014 Bergen, Norway.

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