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Chapter 3

Welfare states and welfare regimes

Contents

3.1 Introduction

Chapter 2 described what welfare is and key concepts related to well-being and the main social principles related to access and delivery of welfare. This chapter continues by looking into the question of what welfare states are, and how we can understand these, including different perspectives of why there is a welfare state in most developed countries around the world.

Countries around the world belong, according to many articles and analyses, to different welfare regimes. This chapter will therefore also focus on some issues of methodology related to analysing welfare states and welfare regimes, welfare typologies and the ability to use them as devices to describe societies and societal development. This includes arguments for the choice of countries used in the book as examples of countries belonging to different regimes and thereby different understandings and representation of kinds of welfare state; there is often a different mix between state, market and civil society, which as is argued in Section 2.4 will have an impact on who receives, pays for and delivers welfare.

The chapter is structured so that first there is a discussion on how to understand welfare states, then how to measure and describe welfare regimes, followed by a discussion of whether they have changed. Then different perspectives of the role of the welfare state are considered, especially from a social investment perspective, but also contrasting this to neoliberalism, Keynesian and the Third Way approaches. Section 3.8 sums up the chapter.

3.2 What is the welfare state?

A definition of welfare, as outlined in Chapter 2, does not by itself define what a welfare state is, neither does it inform us what kind and type of welfare state different countries might have. Who delivers and who finances welfare can be a question of diverse structures and approaches in various countries (cf. Chapter 4 for the principles). This section will show what a welfare state is, including how the concept of a welfare state has been interpreted differently by different approaches. The development of different types of welfare regimes will be outlined, and in more detail, in Section 3.3. The classification of welfare state regimes will be used as a structuring device here and later in the book by using countries from different regimes to indicate how different welfare states solve the tasks and use various approaches in order to achieve the goals of the varied welfare states.

The term 'welfare state' itself is contested within social and political analysis. On a narrow understanding, it refers to the role of the state, since the Second World War, in education, health, housing, poverty relief, social insurance and other social services (Timmins, 1996). A broader approach would focus on the welfare state as a particular form of state, a distinctive form of polity or a specific type of society, and also a specific form of capitalism that can help to aid capital accumulation, regulate and discipline labour and be the result of working class power (Korpi and Palme, 1998). After the Second World War the focus was on how to cope with 'want, disease, ignorance, squalor and idleness', as presented in the Beveridge Report on social insurance.

The welfare state can be seen as having at least three different tasks: redistribution, social investment and intergenerational transmissions. Furthermore, the welfare state often has a role in coping with market failure (see Section 6.2 for a more detailed presentation of this concept), and also varied ways to help individuals in cases of social risks and different groups (see especially Chapter 10).

There is no common agreement about what a welfare state is (see Box 3.1). However, it is often related to state intervention aimed at reducing the risk of market failure, ensuring a decent living standard and a certain degree of equality and intergenerational distribution. The welfare state thus often plays a central role in relation to essential issues of people's daily lives such as housing, employment, income security, health and education. Reducing market failure and ensuring at least options for many are arguments for public sector intervention without this exactly addressing the level and type of intervention to be used in order to redress the impact of market failure.

Box 3.1 Examples of definitions of welfare state

- 'A polity so organized that every member of the community is assured of his due maintenance with most advantageous conditions possible' (*Oxford Dictionary*, 1955).
- 'A welfare state is a state in which organized power is deliberately used in an effort to modify the play of market forces' (Briggs, 1961, p. 226).
- 'By a welfare state is understood an institutionalized system where the actors, the state, market and civil society interact in various relations with the purpose of maximizing society's welfare function and where the degree of public involvement is sufficiently high to be able to counteract the consequences of market failure, including ensuring a guaranteed minimum income' (Greve, 2002, p. 94).
- 'The coordination of mutually dependent political or economic systems that are structurally differentiated' (Kaufmann, 2012).

Here the welfare state will be understood as an entity which provides welfare for its citizens and helps in alleviating the negative impact on the welfare of society and individuals of the impact of different kinds of market failure. A welfare state can have different kinds of organisation and structures; thus the focus is on its impact on and interventions for people in a given society.

The definition of a welfare state does not show in detail the varying approaches and goals of welfare states among countries, and how they are organised and structured. Esping-Andersen's (1990) path-breaking work on three worlds of welfare capitalism has laid the foundation for an immense amount of research into the similarities and differences between countries in the way they organise, structure, deliver and finance welfare, and to systematise welfare states into different groups of welfare regimes. Important aspects distinguishing the three regimes from each other are (Esping-Andersen, 1990):

a) decommodification (the extent to which an individual's welfare is reliant upon the market);
b) social stratification (the role of the welfare state in maintaining or breaking down social stratification); and
c) the private–public mix (the relative roles of the state, the family and the market in welfare provision).

Decommodification is still important, and the level of replacement rate for benefits in cash is an indicator of it. Social stratification is also relevant to examining social inclusion/exclusion, (cf. Chapter 10). The public–private mix will be used here as central in the presentation as this shows how different actors and institutions in welfare states can and will provide welfare in different welfare state regimes. Other elements that have been included in the analysis include issues such as: defamilialism, universalism and marketisation. Based on this analysis one can also look into indicators in different regimes (such as the degree of equality, goals of full employment). For an overview of the debate see Powell and Barrientos (2011). Table 3.1 sets out five types of welfare regimes and their specific characteristics.

Table 3.1 shows the aspects used to categorise welfare states, including the elements historically derived from Esping-Andersen; decommodification, stratification and the different role of the state, market and civil society in different welfare regimes. It also includes the different dominant welfare ideologies and their principles (cf. also Section 3.7) on social investment and other approaches.

It is a clear indication of the variation in the use of state, market and civil society (here mentioned as family and individual). In three of the five models the family plays a central role in the provision of welfare; thus having a family is central in order to be provided for in case of need, albeit most regimes have some support for those with no family. The state on the other hand, for example, has a strong role in the Social and Christian-democratic type of welfare states, but a weak role in the liberal type, whereas the opposite is the case with regard to the role of the market in relation to provision of welfare.

Table 3.1 shows five different types of welfare regimes, including regime types in emergent welfare states (cf. also Section 3.6), such as China, South Korea and Brazil. The first three regimes types – the Social and Christian-democratic and liberal types – is the classical three, whereas the pro-welfare in South East Asia and the anti-welfare conservative in Latin America show welfare regime types with deviation from the classical ones. This deviation is influenced by the Bismarckian approach.

There has been considerable academic discussion about whether or not there are more than three worlds or whether all countries fit exactly into the model (cf. also Section 3.3). This also implies that the Christian-democratic

Table 3.1 Regime-specific characteristics in five types of welfare regimes

	The Social Democratic Welfare Regime in Scandinavia	*The Christian Democratic Welfare Regime in Continental Europe*	*The Liberal Welfare Regime in Anglo-Saxon countries*	*The Pro-Welfare Conservative Welfare Regime in East Asia*	*The Anti-Welfare Conservative Welfare Regime in Latin America*
Dominant welfare ideology	Social Democratic	Christian Democratic	Liberal/Neoliberal	Pro-Welfare Conservative	Anti-Welfare Conservative
Dominant mix of welfare institutions	Universal social security and welfare services	Bismarckian social insurance, NGO-based welfare services	Asset and means testing, limited social insurance, company-based welfare services	Universal social investment in education, health care, housing; Bismarckian social insurance and/ or provident funds	Bismarckian social insurance and/or provident funds; universal and means-tested social assistance, health care services
Emphasis on:					
State	Strong	Strong	Weak	Increasing	Decreasing
Market	Weak	Weak	Strong	Decreasing	Increasing
Family	Weak	Strong	Weak	Strong	Strong
Individual	Strong	Weak	Strong	Weak	Weak
Degree of decommodification	High	Medium	Low	Medium-low	Medium-low
Degree of stratification	Low	Medium	High	Medium	Extremely high
Degree of individualisation	High	Low	High	Medium	Medium

(Continued)

Table 3.1 Continued

	The Social Democratic Welfare Regime in Scandinavia	The Christian Democratic Welfare Regime in Continental Europe	The Liberal Welfare Regime in Anglo-Saxon countries	The Pro-Welfare Conservative Welfare Regime in East Asia	The Anti-Welfare Conservative Welfare Regime in Latin America
Countries/regions that belong to this general overall group	Sweden, Norway, Finland, Denmark, Iceland	Germany, Austria, Netherlands, Belgium, France, Switzerland, Portugal, Spain, Italy, Poland, Czech Republic, Hungary, Slovenia, among others	United States, Australia, New Zealand, Canada, United Kingdom	Mainland China, Hong Kong, South Korea, Japan, Taiwan, Thailand, Malaysia, Singapore, Indonesia, among others	Chile, Argentina, Brazil, Uruguay, among others

Source: Adapted from Aspalter (2013).

welfare regime could be split into specific regimes for southern and eastern Europe. The debate on the number and types of welfare regimes is the reason for integrated presentation of a greater variety of welfare models and also to show how different countries might fit into different types of welfare state. Despite this, as a heuristic device the original three worlds from Esping-Andersen (1990), which have often been given different names (Social Democratic, Liberal and Conservative) can be used to structure an analysis.and also to have an initial idea of what a country's welfare state model can be expected to look like. No country will normally fit perfectly into any one type in all aspects, but certain common characteristics will be present, and this therefore makes it possible to use countries as representatives to show how they deliver and finance welfare, and what their welfare mix is.

Based upon these regimes, this book will mainly use data for the following countries: Social Democratic (Denmark and Sweden), Liberal (UK), Conservative (Germany, France), southern Europe (Italy, Spain), eastern Europe (Czech Republic, Hungary). This will therefore include all the classic welfare regimes and the new EU member states from eastern and southern European countries where classification has often been debated (Ferrera, 1996). There are five countries from northern and western Europe, and four from southern and eastern Europe. This division is chosen as it is sometimes argued that convergence has taken place making the countries in Europe more alike with a north/west group and a south/east group. All the countries are members of the European Union and given the increased influence of the EU on welfare state development and common data available this makes the use of these nine countries convenient to indicate differences and similarities among welfare states. Due to data limitations no countries from Latin America or South East Asia are included here. Some references will also be made to the USA, Australia and Canada.

An argument in favour of the existence of a north/west and south/east divide in Europe regarding welfare state approaches also relates to the fact that:

> Accounting for both the tax-system and the role of private social benefits reveals that the proportion of an economy's domestic production to which recipients of social benefits lay claim is similar in countries often thought to have very different gross public expenditure levels. For example, total net social spending in Austria, Canada, Denmark, Finland, Italy, the Netherlands, Portugal and the United States are within a few percentage points of each other.
>
> (Adema and Ladaique, 2009, p. 50)

3.3 What are welfare regimes?

The development of welfare regime typologies has been criticised for the choice of countries, that the regime typology is gender blind, for not including an analysis of the role of the family, and for an imprecise choice of data which focuses on public welfare but not on other types of provision. Finally, it has been argued that the choice of parameters and understanding of types of changes, such as direct retrenchment by cuts in spending or incremental adjustment in the size and use of the state, make it difficult to have specific models. Nevertheless as argued previously it is a good starting point and also it is a way of holding a mirror up to one's own country's welfare state. Comparing one country with another, differences and similarities can highlight central issues related to welfare provision and financing.

Box 3.2 Three ideal worlds of welfare capitalism

Social-Democratic World of Welfare Capitalism: the social-democratic welfare state is characterised by a comprehensive system of social protection. The high level of social service is revealed by, among others, the high wage replacement rate of the state retirement pension schemes. These generous social security benefits result in high average and marginal tax rates. The social-democratic state pursues active labour market policies. The labour force participation of women is high, which is facilitated by generous parental leave schemes.

Conservative World of Welfare Capitalism: the conservative welfare state is characterised by the generous occupational benefits; unemployment and disability insurance schemes for (former) employees. As such, conservative welfare states are sometimes referred to as corporatist welfare states. The position of the traditional male breadwinner is also safeguarded by the protective services for children and parenthood, relatively high child benefits and long-term pregnancy, childbirth and parental leave. In the field of labour relations, collective agreement often plays a central role. Both the labour participation of women and of older men is much lower than in the social-democratic state.

Liberal World of Welfare Capitalism: the social security system in the liberal world can be characterised as 'residual'. The replacement rate of most benefits (e.g. unemployment benefit) is relatively low and they have a limited duration. Much emphasis is placed upon means-testing social assistance schemes. A distinguishing feature of collectively financed social security in later life is the relatively low flat-rate state pension benefit. Compared to the social-democratic welfare state, there are few public facilities for children and parents and the labour market is less regulated compared to the corporatist state, but the participation rate of women tends to be higher than in the corporatist world.

(Deeming and Hayes, 2012, p. 813)

In Section 3.2 the main elements included when trying to depict and describe different welfare regimes were presented, for example, the use of concepts such as decommodification, social stratification and the private–public mix. Other elements, since the first works of Esping-Andersen, that have been included by various authors in the analysis contain issues such as: defamilialism, degree of universalism and degree of marketisation. In the following section, first a more detailed description of the original three worlds of welfare capitalism is presented, followed by different approaches and ways to understand welfare states and welfare regimes.

In Box 3.2 the three ideal worlds of welfare capitalism are presented. Countries in the Social-Democratic model are often described as the Nordic countries in Europe, and sometimes Belgium and the Netherlands are also included in this group. The Liberal model is countries like Australia, New Zealand, Canada, the UK and the USA, whereas the Conservative model is countries in central Europe like Germany and France and, outside Europe, Japan.

There has been considerable academic discussion about whether or not there are more than three worlds or whether all countries fit exactly into the model. This debate is the reason why above there is an integrated presentation of a greater variety of welfare models and how different countries might fit into different types. Despite this, as a heuristic device the original three worlds, which have often been given different names (Social Democratic, Liberal and Conservative), can be used to structure an analysis and also to give an initial idea about what a country's welfare model can be expected to look like. No country will normally fit perfectly into any one type in all aspects, but certain common characteristics will be present.

Even before Esping-Andersen published his book, *The Three Worlds of Welfare Capitalism* (1990), there were various attempts to systematise and describe welfare states in different countries, and to try to compare them with other countries. The reason for this is that comparison acts as a mirror and offers a reflection of what one country is doing compared with other countries. It also opens up the possibility of learning policy lessons from other countries. The historical approach was especially to look into income transfers as this was the main measure welfare states implemented. However, it has been argued in particular that there are problems with measuring welfare regimes in relation to welfare services as:

1 it ignores the different countries' specific welfare mix, e.g. the way welfare is delivered by different providers
2 there are often sector-specific ways and overlapping approaches, e.g. overlap between old-age care and health services.

However, looking at what has been labelled the 'worlds of welfare services', a relatively similar approach emerges when analysing what the welfare states are doing (Stoy, 2012 p. 353):

Liberal: Australia, Canada, Finland, France, Iceland, Ireland, New Zealand, UK
Conservative: Austria, Belgium, Germany, Netherlands, Switzerland, USA
Social Democratic: Denmark, Norway, Sweden
Rudimentary: Czech Republic, Greece, Hungary, Italy, Poland, Portugal, Slovak Republic, Spain.

The countries used for comparison here are again represented in all four types with eastern and southern European countries in the more rudimentary approach to welfare services, UK and France in the Liberal, Germany in the Conservative, and Denmark and Sweden in the Social Democratic. This classification is an example of how a country can shift according to the classification, as France here belongs to the liberal and not the conservative central European model.

Other criticisms of the model have revolved around the fact that the main focus as already mentioned has been on income transfers, but also that it has been blind to gender differences in what the welfare state is financing and delivering. This has especially been in relation to family policy and the possible role of the welfare state as a social investment state (see also Section 8.3 on the work–family balance).

From a more methodological point of view, the discussion and criticisms have been related to what is called the dependent variable problem, that is how to conceptualise, operationalise and measure a concept (Vis, 2013). For example, we need to understand and interpret the level of generosity of a welfare state and how it can be analysed: Is the support to be offered over a short or long time? Is it for people of working age or the elderly? Is it related to the level of poverty? How to ensure that data are of the same quality and validity in all the countries analysed? Another criticism also relates to the fact that the data used in most analyses are of a quantitative nature, and only more limited qualitative data, including well-being and quality of life, which, as shown in Chapter 2, can be highly important in order to achieve individual welfare. Furthermore, the time horizon used when analysing welfare state development is important because of changes over time, so sometimes data are not precise enough to show what welfare states look like currently. Finally, the fact that the institutional structure and the implementation of welfare policies can have an impact is not included in the analysis.

The quality and effectiveness of welfare delivery are often not included, because how to measure and compare the quality of services delivered is not always very clear.

Box 3.3 contains a recent summary of research related to welfare regimes and the knowledge gained in these areas.

Box 3.3 Consensus on knowledge of welfare regimes

In a nutshell, an academic consensus has been reached in the past two decades that:

1 the welfare regime typology is here to stay as an analytical tool because there is clearly 'something in it,' although the empirical applicability of the concept remains problematic;
2 a minimum of three but possibly more welfare regime prototypes can be identified;
3 the historical origins of welfare regimes lie in the religious and state building history of Western Europe; and
4 welfare regimes differ not only in the structures of inequality and social stratification they (re-) produce, but also in the way in which they seek to achieve this goal as well as in their normative justifications thereof.

(Rice, 2013 p. 94)

(Note: In Rice's article there are many references to all the four points, which have been omitted here.)

3.4 Welfare regimes and welfare typologies

Is there a relation between welfare typologies and welfare state regimes? The first question is: What is a welfare typology? This is used to describe whether a country belongs to, for example, the regimes described in the previous section. An ideal type, on the other hand, is a construct where one can argue whether or not a country belongs to it; in an ideal type of analysis the question is to what extent a country belongs to an ideal type (Vis, 2013). A further distinction relates to the real-typical and ideal-typical approach. The real-typical approach focuses on the details and the way welfare state institutions work, whereas the ideal-typical method focuses on average ways of working in different regimes or clusters (Aspalter, 2013). Here the main focus is on the ideal-typical method as a way of and ability to present the broader viewpoints on welfare states and their development, although the risk is that differences within national systems are not really explored. This will have to be done in more specific national studies.

The first issue relates to whether there has been change in the structure, financing and ideas and thereby movement away from one type to another type. Recent years have seen many and varied changes in welfare states. Some countries have been responding to new social risks. Some countries have had the ability to deliver more welfare when becoming richer. The fact that most countries have become richer since the beginning of this century despite the fiscal crisis of recent years is shown in Table 3.2.

Table 3.2 Development in GDP per capita since 2000 (Index 100) in selected EU countries and the USA

	2000	*2005*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
EU27	100.0	109.3	111.8	113.9	:	:	:	:	:
Czech Republic	100.0	122.2	136.1	139.5	142.0	140.6	139.1	141.6	144.7
Denmark	100.0	106.4	104.6	106.1	107.2	106.8	107.1	108.9	110.9
Germany	100.0	103.0	105.8	110.0	113.7	114.5	115.0	117.0	119.2
Spain	100.0	117.4	122.7	122.4	122.5	120.5	118.9	119.5	121.5
France	100.0	108.3	109.8	111.7	114.0	114.0	114.3	115.3	117.3
Italy	100.0	105.0	101.9	103.7	104.2	101.6	99.7	100.4	101.6
Hungary	100.0	122.6	120.0	121.2	123.2	121.1	122.0	124.2	126.8
Sweden	100.0	114.2	116.1	123.8	127.4	128.6	130.0	133.7	138.4
United Kingdom	100.0	115.7	115.7	117.7	119.0	119.3	120.9	123.6	126.5
United States	100.0	113.3	114.7	117.6	119.8	123.1	125.0	128.3	132.3

Source: Eurostat (nama_gdp_k) (accessed 4 January 2014).

Notes: The year 2000 has the index value of 100. This implies that, for example, the Czech Republic in 2013 had a GDP per capita 39.1% higher than in 2000. A decline in value from one year to another thus also implies a decline in the level of GDP. Data for 2013 to 2015 are estimates.

Despite the decline in the level of GDP in 2009 in all the countries included in the analysis, whereby countries have a lower overall level of production and thereby goods and services to use, Table 3.2. shows that all countries have been witnessing an increase in their overall level of wealth as measured by GDP since the year 2000, although in Italy it is expected to be almost the same in 2015 as in the year 2000.

Although GDP per capita does not necessarily fully reflect a society's wealth, well-being and happiness, it is an indicator of what economic options a country has available for both private and public consumption. We would expect that when a society becomes richer it will also want to have more welfare delivered – although whether this should be by the public sector or the market is open for interpretation. Growth in welfare state spending on social issues was therefore possible in most countries, until the last financial crisis started in late 2008. With real increase in GDP it has been possible to increase both public and private consumption, so not only welfare provided by the state has been increasing, but also it has been possible to buy more private goods. Using the same percentages of GDP on social policy issues will thus in times of economic growth make it possible in real terms to spend more, and without necessarily having to raise taxes. This also increases the likelihood that policy makers are more willing to expand social welfare in good economic times.

A contradiction here is that social welfare is more likely to be needed in times of slow economic development.

Historically, there has been a relation between economic development and the welfare state; sometimes in economic jargon it has been argued that welfare is a 'luxury' good and when an economy becomes richer the demand elasticity is greater than one, implying that we demand more. Therefore, future development of the welfare states will also be highly influenced by the overall economic growth in the individual countries and around the world. In times of economic prosperity it is more likely that countries will spend more on welfare than in tough economic times. This also depends on the view of the role of the welfare state.

However, economic issues, such as economic growth, are only one part of what can be understood as well-being and welfare. This possible contradiction may imply that the welfare state will be difficult to develop further given the risk and lack of resources if the overall economic growth no longer has a positive development, making it possible to finance the welfare state. Furthermore, a conflict between issues of well-being and happiness that might be difficult to measure compared with hard economic facts may also imply a contradiction given that GDP, as argued in Chapter 2, does not include well-being as a parameter for societal development.

3.5 Change and drivers for change

Welfare states have changed as we have seen in the previous section, and will be discussing throughout the book. However, even if there has been change, it is not necessarily clear what types of change have taken place, and what have been the drivers behind those changes. Furthermore, change in paradigms and understanding of the role of the welfare state can influence the way welfare states develop. This section will discuss these topics and the principles related to the politics of the welfare state.

Table 3.3 provides an overview of different types of change in welfare states that may be the result of change in the economic and political options open to welfare states.

Table 3.3 Type of change

	Within path (incremental)	*Radical/transformation*
Gradual	Classical incrementalism TORTOISE	Gradual eventually fundamental STALACTITE
Abrupt	Radical conservatism BOOMERANG	Sudden radical EARTHQUAKE

Source: Farnsworth and Irving (2011, p. 33).

Table 3.3 shows that change can and will have different dimensions and directions. Here the distinctions are between gradual or abrupt change and within path (incremental) or more radical transformation. These types of changes also relate to the debate on path-dependency, path-breaking or incremental change (Thelen, 2004). Again one needs to be cautious about whether or not change is along one of the four dimensions depicted in Table 3.3. The table emphasises the varieties and possibilities of change in welfare states, and when undertaking empirical analysis is a good way to try to show how dramatic a change has been.

Path-dependency implies that policy makers continue along the same path, that is the way the welfare state has already been gradually developed. This is often seen as a central explanation of the changes in welfare states, as the cost for policy makers (risk of losing votes in an election and thereby power) is less if they only make small and incremental changes in the level and composition of welfare benefits and services. Still, many such changes can, but might not, gradually transform a welfare state from one type to another. This can be done by using instruments such as higher or lower benefits and/or more or fewer social policy areas covered. The gradual approach can also be more dramatic, with more fundamental changes in the long run, given that continuous changes might move a country away from its original path. This can be altered in one specific social policy area, such as has been the case with changes in pension systems. These have taken place in many countries with a move away from state universal pension systems towards greater dependence on savings and number of years on the labour market.

Changes can be abrupt, despite moving back to and being within the path; such a change is called a 'boomerang'. There could, for example, be a dramatic change in the unemployment compensation system, which after a short while more or less reverts to what it was originally. The last quarter in Table 3.3 combines abrupt changes with radical transformation, such as those which several countries witnessed in the wake of the financial crisis. These involved dramatic cuts in the overall level of spending on social policy and reduction in the areas in which the welfare state is involved.

An abrupt change could occur when the historical path of a country's welfare system is dramatically changed in another direction, that is a break in the path. Whether this occurs due to a window of opportunity – i.e. some would have liked to make the changes a long time ago, but the fiscal crisis first made it possible – or it is a dramatic change due to fiscal crisis, can be difficult to establish. Furthermore, the reason or reasons for a change might have implications for policy reaction when again there are economic possibilities to adjust the development, for example, when the economy starts to grow again. Changes might also be influenced by ideological preferences for state, market or civil society solutions, including different understandings of what gives the best results for society. Different understandings of the cost of a welfare state (cf. also Section 3.7), might be part of the rationalities for different decisions on how and to what extent to change a welfare state.

A country's response to a political or economic crisis might therefore also be influenced by its historical traditions and development, and the present political ideology. It is therefore also difficult to predict a specific development, although many analyses of welfare regimes, despite using different measures and historical data and examining different aspects of welfare systems, confirm that clustering within certain regime typologies is possible. A concrete empirical analysis of changes is therefore necessary in order to understand how and in what way a country has changed its welfare system. Notwithstanding that the historical paths are different in those welfare states inspired by Bismarck (Germany being a prime example) or Beveridge (UK as a prime example) there might be convergence (cf. Section 12.3).

Regardless of such historical differences, similarities may exist across countries. In most countries there is, for example, universal access to hospitals and treatment in cases of acute sickness. There is also, however, a difference with regard to user charges for medicine, access to general practitioners, different specialists and private hospitals and so on. However, analysis using a health perspective also shows that despite universal access to hospitals, there are differences among welfare regime types. Thus it seems that infant mortality rates, low birth weight and life expectancy in general are also related to regime types. Results in these areas are, in general, better in the Social-democratic welfare regimes than in the Liberal model or in the southern European countries. Health, therefore, is better in the relatively generous and universal welfare countries than in countries within the Liberal model (Bambra, 2013). So, welfare regime typologies can also be used as a starting point for analysing specific social policy areas and trying to find patterns within these areas even if the institutional set-up in a social policy area appears similar.

As indicated previously, drivers for change could be the financial crisis as this puts pressure on the ability to finance the welfare state and has been used as an argument especially for retrenchment in several welfare states. The change in the demographic composition of society has also been used as argument for change. This, as shown in Section 5.4, has been due to possible impacts on public sector income and, as shown in Chapter 13, on public sector spending and change in the area of spending, for example, the need to spend more on elderly care and benefits and on health care, than childcare. A change from one area to another, such as from care of children to care of elderly, can be difficult as there are both fixed and variable costs involved. Fixed costs are related to buildings and staff who are needed even when there are few users, whereas the variable costs relate to those directly dependent on the number of users of a welfare service, such as the number of children, patients, etc. Therefore demographic changes can be difficult to cope with economically if the related change in delivery from one group to another has to be kept within the same amount of spending. The overall political economy of the welfare state in this understanding relates to how changed macro-economic conditions and changes in the demographic composition of the society influence the ability of the welfare state to fulfil the electorates' presumably constant expectation of more and better welfare delivery.

However, financial crises and demographic changes are not the only reasons for change. New social risks, such as family breakups, have also been a driver for changes in welfare state spending as has been the greater participation of women in the labour market which has required a greater need for more spending on day care for children. This is, given that it is a welfare service, in contrast to the historical intentions focusing on income transfers especially to cope with the risk of loss of income (in case of disease, work injury, disability, old age or family responsibility). Thereby the welfare states also moved towards provision of service and not only being income transfer welfare states.

The different preferences, which might be ideological, of welfare state actors may also have an influence on and can be drivers of the development of welfare states (Guiraudon and Martin, 2013). These include political decision makers, the administration, and different pressure and lobby groups.

Generally speaking, in welfare states it is the democratically elected parliament and government that decide, by a simple majority, what to do, although it is often within the given path dependent on previous decisions. There might be issues and areas where there is a need for a qualified majority. In the case of a simple majority, the vote by the median voter is of interest to policy makers. The (or those) party(ies) that get the median voters' support will be able to form a majority, as the median voter is the voter exactly in the middle. Therefore, the legitimacy of different kinds of benefits and services can influence what the political system decides in relation to welfare as this might help in gaining or maintaining a majority. It can, furthermore, be the case that voters simultaneously want to increase spending and decrease taxation. Therefore the politics of the welfare state can be a mix of representation of different voters' interests, but also be influenced by different ideologies and perceptions about the best way to pursue a societal development. The different paradigmatic understandings as depicted in Section 3.6 illustrate this.

Voters' support for and perception about who is and who is not deserving can thus also have an impact on policy makers' willingness to expand or contract specific welfare spending. The same applies to different understandings of justice and equality (cf. Chapter 9). 'Deserving' as a criterion for decisions on welfare spending is not new (see the quote in Box 3.4, written in the eighteenth century).

Box 3.4 Montesquieu's view on who to provide for

Montesquieu adopts this distinction between religious charity and political-social obligations by stating that the state's duties are not fulfilled by 'a few alms to the naked man'. The state must provide employment for those who are capable of working. Therefore, Montesquieu's definition of poverty is a very secular one. The poor are not those who are in need, the necessitous, that is; rather the poor are those who do not work. Montesquieu is very careful to specify that only the needs of those who cannot work – 'the old, the sick, and the orphaned' – must be provided for. All the others are no longer poor, as soon as they can work, and there are available jobs.

(Larrère, 2001)

Voters' understanding of 'deserving' might change, but historically the elderly in particular have been seen as deserving, whereas those who can work, but do not, have been seen as less deserving.

Pressure and lobby groups have an interest in a certain area in the welfare state gaining more support from the state. Their arguments may, for example, be related to justice and/or to a more efficient type of intervention. Theoretically, policy makers are expected to be open to demands in order to cope with pressure groups as they would like to gain votes. This was one of the public choice theorists' arguments (such as Niskanen, 1971). It was held that the government and public sector spending would constantly increase and take up an ever growing proportion of societal production. However, in most countries there is also a Ministry of Finance which keeps an eye on the overall level of spending and how this relates to the ability to finance expenditures. Therefore, after what was labelled the Golden Growth of the Welfare States from 1960 and until the first oil price crisis started in 1973, there has never been a strong and continuous growth in welfare spending as a percentage of GDP. So pressure groups might have had and still have in certain areas an impact on spending, but their efforts might be counteracted by those not wanting to increase the level of spending and taxation, or even in the more neoliberal approach to a reduction in the level of taxation. The same argument applies with regard to the possible impact of the bureaucracy and professionals.

Still, the counteraction is also due to the fact that there are limitations and that spending money on one area implies that the same amount of money will not be available to another area. Opportunity costs, as they are called, imply that there will be a constant battle between different goals and therefore also a political struggle between competing ends and programmes. The use of documentation and evidence to show that an intervention works (cf. also Section 11.4), is therefore also a way to try to document the need for involvement in one area and to make the decision makers willing to spend more.

Even if policy makers intend change in an area, difficulties might arise in the form of pressure from voters, interest groups, professionals and the administration. In such situations it may be necessary to wait for a window of opportunity where it is possible to make changes in the welfare state without risking being blamed for the change. If policy makers can argue it is necessary to reduce spending, as was the case during the financial crisis, in order to cope with and be able to reduce the budget deficit and be able to finance the welfare state into the future, then changes might be possible without politicians running the risk of losing too much voter support. Credit claiming and avoidance of blame for change can thus be important concerning whether there is change and how big those changes are in welfare states.

The ideology of the political decision makers is also an important issue. Historically, it has been argued that left-wing governments have expanded welfare states more than right-wing governments. Ideology (cf. also Section 3.7), can thus have an impact on the way welfare states are changed. One possibility is that overall changes in the perception of the state's role in how to ensure a good society may take place among voters and policy makers.

Drivers for change might thus come from a variety of sources and for a variety of reasons, and often they might even be intermingled making the reason behind change less clear-cut than one might expect. The combination of political preferences, possibilities of making decisions and the interaction between different interest groups can help in explaining that the development of welfare states does not necessarily follow logical paths and/or a specific rationality or ideology. Differences can also be due to the fact that in some countries one party usually has a majority in parliament (e.g. the UK) or there is a strong veto-player or decision maker as president (e.g. France), or that coalition decision making is the rule (e.g. Denmark). Parliamentary traditions, in addition to the other drivers mentioned, can also influence the way welfare states are changed.

Thus politics matters, and sometimes it seems as though, to use the title of Esping-Andersen's book, that it is 'Politics against Markets' (1985). This reflects the dichotomy between state and market, the struggle between different ideological approaches, but also change over time. At the same time, this struggle sometimes has overlooked the influence of civil society, including the role of the family. These contradictions and varieties are something we will return to several times throughout the book. Still, the principles and approaches to welfare state policy have been and still are influenced by a combination of available economic resources, ideology (including viewpoints on justice and equality), voters' perceptions, impact of pressure groups, and changes in legitimacy and support for deserving and non-deserving people.

Even though this is the case, knowledge about how the different actors (state, market and civil society) can finance, deliver and influence welfare is important. It is equally important to be aware of how different parts of the welfare state function and how this can sometimes impact disadvantaged groups.

3.6 Emergent welfare regimes

The analysis of welfare states and welfare regimes has often been strongly influenced by a European and North American perspective, though this has sometimes included Australia and New Zealand. However, in the rest of the world there are also different types of welfare states and welfare regimes, and

some of these states could be labelled emergent or new types of welfare states. Thus there are different approaches in China, Japan, South Korea and India, to those developing in Latin America or in the Sub-Saharan countries.[1] There is much diversity in this development, which also in part is due to different economic options and possibilities.

In Sub-Sahara the approach is often characterised by:

- A residual, confessional and clientelistic approach to social protection
- A permanent emergency orientation of measures (Cerami and Wagué, 2013).

The Sub-Saharan countries also often have low state involvement due to lack of economic resources, and instead a high reliance on family, local and religious communities; however, this often provides poor social protection. They might further be highly dependent on money from donor countries or migrant workers. Their development of welfare support has come later than other countries, and therefore has had less time to develop especially in comparison to the more mature welfare states in Europe.

In other parts of the world welfare is still highly fragmentary, due to a lack of sufficient resources which are necessary to finance and develop comprehensive welfare programmes compared with Europe. They can also vary regarding size and areas of coverage. However, in most countries around the world there are programmes dealing with the classical risks such as disability, work injury, old age, sickness and unemployment. Family benefits can be found in many countries. Family benefits or social assistance can be dependent on many factors, but in some developing countries they have been made dependent on children's school attendance.

Emergent welfare states often have a higher reliance on civil society, especially the family, given the limited economic resources available. At the same time, some of the emergent welfare states, such as China, already face problems relating to demographic composition causing pressure on health care and pensions in particular. Still the size and structure of welfare in emergent welfare states has to be seen in the light of the time they started to develop their welfare states, and also their economic options available.

3.7 Social investment and other perspectives

Welfare states have historically coped with the risk for individuals or families of lack of sufficient income in the case of unemployment, old age, sickness and work injury. In more recent years welfare states have looked into how this could be understood as a social investment in the future by providing welfare services and income transfers in order to support societal development. Social investment might also be seen as a further development of Giddens's 'Third Way' (1998). The Third Way was built upon a set of values including equality and a programmatic approach (see Box 3.5). This approach is therefore arguably in contrast with two other ideological underpinnings of the role of the welfare state – the Keynesian and neoliberal perspectives.

Box 3.5 The Third Way Programme

The radical centre, The new democratic state (the state without enemies), Active civil society, The democratic family, The new mixed economy, Equality as inclusion, Positive welfare, The social investment state, The cosmopolitan nation, Cosmopolitan democracy.

(Giddens, 1998, p. 70)

A neoliberal approach would have a focus on how the market can solve societal issues and with as few as possible interventions in the economy. It can be said to a certain degree to have developed in the aftermath of the difficulty for Keynesian demand management in the 1970s to ensure full employment and stable economic development. A neoliberal approach would focus on how the market could best ensure economic growth and full employment. It therefore also sees the welfare state as a burden for societal development.

The Keynesian approach to a large degree argues that societal intervention is necessary to ensure smoother economic development and a high level of employment by supporting demand when necessary and by using the state, especially the financial instruments, to make growth and stability possible. It therefore prefers to have some kind of welfare state and welfare state intervention.

A focus of the social investment approach is that at least part of the welfare state's activities provides increased options for societal development. This includes, for example, how to combine work and family life by supporting day care (see also Section 8.3). Investment in education can help to ensure higher competitiveness, implying that social policy is supporting economic growth and job creation.

The mixed economy of welfare was also part of this understanding that welfare could be pursued in a mix of using a market, a state and a family approach.

Table 3.4 sums up the understanding of the three very different paradigms and approaches to welfare state development with regard to key principles, norms and instruments. Such differences are natural. The description is a schematic depiction of the possible varieties (see also Crouch, 2013). However, comparing these approaches indicates different understandings of the balance between state and market and, relatedly, different ideological underpinnings of welfare states. Here the focus is on three central approaches to welfare. Other

Table 3.4 Three different paradigms and their values, norms and instruments

	Keynesian	*Neoliberal*	*Social investment*
Key values and principles	Social equality Jobs for all (men) Decommodification	Individual responsibility Any jobs Activation	Social inclusion Quality jobs Capabilities approach Equality of opportunity: prepare rather than repair
Key norms for public action	Big state Central economic planning Welfare state development	Lean state Deregulation Dismantling of the welfare state	Empowering the state Investment Recasting of the welfare state
Key instruments	Policies to support demand Development of social insurance schemes for income maintenance Development of the public sector Unemployment compensation	Monetarist economic policies to fight inflation Deregulation of the labour market Privatisation of social and health services, development of capitalisation to finance pension schemes Activation and workfare	Human capital investment policies to increase competitiveness and job creation Development of social services and policies to support the labour market: early childhood education and care; higher education and lifelong training; active labour market policies; policies to support women's employment Flexi-security

Source: Adapted from Morel et al., 2012, pp. 12–13, Table 1.1.

approaches include the New Right, the Middle Way, Democratic Socialism, Marxism, Feminism and Greenism (see George and Wilding, 1994).

Different ideological understandings might also have influenced the development of a particular welfare state. This is, however, not the focus here, although the possible impact of path-dependency on the development of a welfare state will be included in the presentation of the three paradigms in Table 3.4. It is further important to be aware that these paradigms present ideal cases, and that the more precise content varies over time and across countries.

The Keynesian paradigm, often seen as one of the central arguments for the development of welfare states, besides covering the historical social risk, focuses on the importance of full employment, a high degree of social equality and at least to a certain degree the abilities to have decommodification. Having these values and principles also implies a strong focus on and use of the state to intervene in the economy and society so as to achieve the welfare state goals. Representatives of the approach have argued that the welfare state is part of the solution to problems, such as a high level of unemployment, by using state intervention to create demand for goods and services, and by, for example, infrastructure investment and buildings. Unemployment compensation in the Keynesian view, for example, thus was built upon two types of argument: that this would help in increasing social equality, and that if the unemployed received a benefit they would still be able to buy goods and services helping to reduce the decline in economic activity. The public sector was also seen as the one which should cope with market failure and, overall, achieve a higher level of welfare by reducing the negative impact of market failure on societies' functioning. In the Keynesian understanding, the welfare state was thus a prerequisite for developing a high level of welfare and stable economic development.

After the economic crisis in the 1970s following higher oil prices it was argued that Keynesian demand management was no longer possible, as the ability to ensure public sector income was not present, and/or that this would imply a too high level of taxes and duties making the incentives too weak for both work and savings in the economies. The stagflation in the 1970s (a stagnant economy with high level of inflation) was by some seen as a consequence of the big state, and led in many welfare states and public discourses towards a more neoliberal stance.

The neoliberal approach focused on key values related to a higher level of individual responsibility, that any job would do and activation should focus on work-first. Specifically with regard to the welfare state, the approach's focus was on how to reduce the size of the welfare state by, if possible, dismantling it, and a greater use of the market as the main provider of welfare. In a neoliberal perspective, privatisation is central combined with as much deregulation as possible leaving overall economic development to the forces of the market. In this perspective, welfare states are seen as very costly and a burden to society, and taxes and duties as detrimental for societal development. A small welfare state with only very limited levels and comprehensiveness of benefits was argued to be the best cure and the way to ensure a positive economic development. Monetary policies (e.g. amount of money and interest rate policies) were seen as the main instruments for influencing economic activity. In the wake of the latest financial crisis, the neoliberal argument was that the impact would have been less strong if there had been fewer regulations. So, in contrast to a Keynesian perspective where the state has a role, this is not the case in the neoliberal perspective, where as much as possible should be left to the market and the markets' abilities to reach an equilibrium.

For some commentators both the Keynesian and Neoliberal approaches are too unrealistic in relation to actual societal trends, and they hold a more balanced perspective that in principle both market and state might fail in achieving their goals. The Social Investment perspective starts from a set of values and principles that focus on ensuring social inclusion, that there should be equality of opportunity (not necessarily outcomes) and that jobs should be of a high quality. In this perspective the state has a role, as state investment might

help in ensuring society's way of functioning by creating jobs and social inclusion. Public sector activities thus are seen as an investment in the good society aimed at achieving a high level of activities. State spending is thereby not just a cost for society, but an investment in order to help the market work, but also that people in general are included in societal development. Private companies' development is, it is argued, thus supported by the state's activities. This is achieved by providing a good infrastructure, and supporting the educational and research system to enable societies to maintain their wealth and develop. A high quality education system is thus important and not just a burden for tax payers. The same is the case with regard to affordable and high quality day care as this makes it possible for both men and women to be on the labour market, thus ensuring the availability of a labour force. Welfare states thus support the private sector and are not seen as being in conflict with the market as the neoliberal approach would have it. Therefore a social investment approach also highlights the state's role in several areas besides those already mentioned – lifelong learning and a flexicurity labour market policy (cf. also Chapter 7). The implication is not that this perspective, nor the Keynesian perspective, is just in favour of spending more money and increasing taxes, it is more a perspective trying to reflect upon and discuss the pros and cons in different areas whether a state intervention will improve the overall level of welfare in society. Still, in contrast to the neoliberal approach, the social investment approach emphasises the possible positive effects of state intervention in order to achieve an overall higher level of welfare. Box 3.6 provides an example of a case for social investment. Another example relates to the fact that much private sector investment in new technology, including the Internet, might not have been possible without state intervention (Mazzucato, 2013).

Box 3.6 Example of a case of social investment

The agenda of the social investment state includes active labour market policy, not in the sense of 'workfare', i.e., bullying unemployed people to take any job available, but in providing training and help with job search, perhaps with removal costs.

(Crouch, 2013, p. 89)

The Third Way (see Section 8.2), also embraces issues of inclusion, a role for public as well as private initiatives and an investor approach (cf. Powell, 2013). However, the Third Way is less explicit about the possible positive role of the state than the social investment approach.

Different welfare state and welfare regimes might have used all these different approaches, for example, by first focusing on the Keynesian, then neoliberal and now perhaps a more social investment perspective. Thus, it is therefore possible that in different welfare states there can be traces of various ways of seeing the role of the state, and this might have changed over time. It can even be the case that the degree of marketisation differs in various areas of the welfare state. For example, the state plays a stronger role in hospitals than it does in pensions.

Throughout the book many of these elements and understandings of different approaches to welfare are part of the presentation. This is so in relation to the role of the state, the market and civil society as presented in Part II, but also how these approaches deal with the issues of equality/inequality and social inclusion and use different instruments. The perspectives have diverse impacts and influence on how welfare states have been and still are developed in different countries. However, the focus here is, in general, not on the ideological perspectives and reasons for welfare states, but more the functioning and argument for diverse types of interaction between state and market. It is important to be aware of why there are and might be different ways of financing and delivering welfare. Ideological preferences thus have a role, albeit they are not always clearly presented as such.

3.8 Summing-up

The aim of this chapter has been to focus on what a welfare state is, and how welfare states may be compared with each other. Welfare states will be understood as an entity providing welfare for its citizens and with the aim of reducing the negative impact of the market forces.

Welfare regimes can be used as a way of comparing countries, and this can then be used as a way to understand why welfare states look the way they do and to inform us on future possible development. Welfare regimes have been used in particular to describe the welfare states of European countries, however, they can also be used as a structural device for placing other welfare states around the globe in a way that makes comparisons possible. Section 3.6 also presented possible emergent welfare regimes.

Typologies thus help to show how different countries organise their welfare states in different ways regarding actors, financing and delivery of welfare, and indirectly also the interplay between state, market and civil society. Therefore they can be used in order to learn about many countries' welfare systems. Still, there might be differences in areas related to income transfer and delivery of services, and even within these areas some might be more universal and comprehensive than others. Three welfare models are often used, but several welfare state typologies also exist. Based upon this, the countries used for comparison throughout the book have been selected.

This chapter has also looked into different paradigms' understanding of what the role of the welfare state is. Different paradigms have different positions of what the role of the welfare state is and should be.

Changes of welfare states do not necessarily just take place. Therefore the chapter has also highlighted possible drivers for change and possible reasons and rationalities behind this kind of change. Three specific paradigms (Keynesian, Neoliberal and Social Investment) have been explained in more detail to illustrate how different perspectives might have an impact on welfare and welfare states' development.

Note

1 See Chapters 21–25 in Greve (ed.) (2013) and there is also an annual regional issue in *Social Policy & Administration* dealing with welfare states outside Europe, often with emergent welfare states.

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Part II

State, market and civil society