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THE WELFARE STATE IN A STATE OF CRISIS?

ABSTRACT

The paper sets out to deconstruct two concepts featuring in the title. Firstly, a novel definition of the welfare state based on economic ownership is presented, used then throughout the paper to examine the facts behind the widespread view of the welfare state finding itself in a crisis. Upon scrutiny, it turns out that empirical evidence to support the thesis under investigation is weak at best; neither globalisation nor Europeanization bring about any significant quantitative or qualitative worsening of welfare parameters. In addition, it is imperative not to put all the welfare states into one bag, as they in fact represent a plethora of diverse social-protection regimes.

Key words:
welfare state, globalisation, state, crisis

1. Introduction

To begin with, the central concept needs to be defined; on the surface, the term "welfare state" appears to be self-evident. Suffice it to recall the term "welfare society"; however, to shake this belief, just as the relation between such notions as the state, and society is not to be taken for granted, it is not prima facie apparent whether the concept in question is primarily or even exclusively political in nature.

It is our contention that a satisfactory definition of the welfare state can be worked out only within an analytical framework of economic ownership. Economic, or better socio-economic ownership[1], is in fact – as classics of our discipline, such as Marx, Weber, Tonnies or Simmel were aware – a complex of relations of pivotal economic and sociological importance. Four our purposes, it is possible to define the welfare state precisely in those socio-economic terms-as common fiscal property. Abstracting, for the sake of the argument, from non-tax forms of state revenues, one can frame taxes as property relations. It is the case because the state, collecting taxes, comes up as an intermediary on behalf of the nation at large, and corporate taxes, or payroll taxes represent, respectively, the nation's share-mediated by the exchequer – in the ownership of means of economic activity and labour power, an underlying assumption being that, as defined by my rent theory of ownership, the essence of the latter can be defined as benefit.

In this light some typical definitions of the welfare state formulated in the literature can be read, such as the following one, whose very language suggests that it is (collective in this instance) ownership that is at stake: "the welfare state can be seen as a bundle of membership spaces: it consists of different functional schemes (for pensions, health care, unemployment, social assistance, and so on), different 'layers', 'tiers', and 'pillars' of provision (e.g. basic vs. supplementary insurance), characterized by their own regulations and surrounded by codified membership boundaries that mark insiders and pit them against outsiders"[2]. In a similar vein, the following definition underlines the public-ownership character of the welfare state: "As an ideal type, the main business of the welfare state in industrial society was to provide for needs which were not adequately met through the market – interruption of income (retirement, unemployment, sickness, or disability) and mismatch between income and need during the life cycle (e.g. child endowment) – or for needs where state provision was widely recognised as desirable (e.g. highly-valued services in areas where the costs of privately checking professional expertise are high, such as health care or education)"[3].

The said framework will prove its usefulness in our analyses below, but at this point we must turn to another question that is apparent from the viewpoint of the common wisdom. The cliché "the crisis of the welfare state" has become a buz-

[1] See: J. Tittenbrun, *Economy in Society. Economic Sociology Revisited*, Cambridge 2011; J. Tittenbrun, *Ownership and Social Differentiation*, Saarbrucken 2011.

[2] M. Ferrera, *The New Spatial Politics of Welfare in the EU* [in:] G. Bonoli, N. David, *The Politics of the New Welfare State*, Oxford 2012.

[3] P. Taylor-Gooby (ed.), *New Risks, New Welfare: The Transformation of the European Welfare State*, Oxford 2004, p. 4.

zword. But this by itself does not make it true. To examine whether in fact this is the case, one needs to inquire to what extent crisis accounts, such as those built around globalization and population ageing, are borne out by evidence.

2. The welfare state and globalisation

Now, upon closer scrutiny, matters are no longer so straightforward as in the pessimist picture of the inevitable decline of the welfare state as we know it. From that perspective, the state is in a permanent retreat, its prerogatives being eroded by powerful global forces, effecting in inequality and unemployment. But there are counterarguments to this claim to the effect that "globalization has little to do with the problems of the welfare state – which can be better explained by changing demographics, new technologies and forms of work organization, or internal economics and politics – and that the welfare state has in any case changed very little so far"[4].

Still, those who subscribe to the thesis of crisis or decline of the welfare state might insist that their specific arguments should be taken into consideration.

It is thus argued that the internationalization of trade, the deregulation of the rules governing business, and the privatization of state-owned enterprise, combined with the development of new technologies facilitating faster communications and lower transportation costs, and the increasing capital mobility following from financial market liberalization, have had a significant impact on national autonomy. They have served to promote business internationalization while weakening the protective barriers around domestic economies and diminishing government's ability to pursue independent microeconomic management strategies or expansive industrial policies.

Within this kind of perspective, governments, and thus national economies, compete against other governments and economies just as individual companies compete with one another. Therefore, in order to attract foreign direct investment and improve conditions of domestic firms, governments of many developed Western countries have sought to reduce wage costs, income taxes, payroll taxes, tax on corporate profits, social security payments, health-care costs, and so on. "These measures, in turn, have contributed to the crisis of the welfare state"[5].

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4 V.A. Schmidt, *The Futures of European Capitalism*, Oxford 2002, pp. 9–10.

5 Ibidem, pp. 17–19.

The above argument, however, hinges upon an assumption that corporate capital-corporations can move freely to sites of their choice, i.e. those that offer the most favourable business conditions. This freedom of movement is their trump card, owing to which they can pressurise and even blackmail governments to extort favourable conditions. Upon scrutiny, though, this picture appears to be oversimplified. Transaction costs economics coined the term "sunk costs", which renders a restriction on that freedom of movement, once investment has been made, "since it is often relatively expensive for them to pick up and leave, given relations with suppliers, customers, local communities, and regional and national governments. For most companies – with the exception of those with the most routinized assembly operations – just-in-time production techniques that benefit from close proximity to suppliers and flexible specialization that benefits from close proximity to final markets make companies less footloose, not more so, because they ensure that they are less able to pull up roots once located somewhere, whether in home or host country"[6]. This is not the end of the story. Contrary to what the aforementioned argument implies, companies invest even in advanced industrialized countries with generous welfare states paid for by high tax rates, since these tend to be rich countries and as such are attractive locations for production[7]. Apart from markets, such developed countries offer other advantages in respect of technology, science, a variety of public services, or a stable political environment, all of which are likely to outweigh concerns about higher taxes. Overall then, "multinationals tend to remain tied not only to home country through management nationality, political ties, management culture, production practices, and source of revenues, assets, and employees, but also to host country through production techniques and market opportunities. In consequence, although national government control over multinationals operating in the national economy has indeed diminished, and national government autonomy in its policies toward multinationals has been reduced, the losses of autonomy and control are not nearly as significant as some might argue, even if they cannot be ignored"[8].

Moreover, even if this were in fact a slippery slope, and the current losses are only the beginning of a process of erosion that will one day make multi-nationals truly stateless, or even like states unto themselves, business would not end up en-

[6] R. Wade, *Globalization and its Limits: Reports of the Death of the National Economy are Greatly Exaggerated* [in:] *National Diversity and Global Capitalism*, S. Berger, R. Dore (eds.), New York 1996, pp. 80–81.

[7] R.E. Baldwin, P. Krugman, *Agglomeration, Integration and Tax Harmonization*, "Bulletin of the Centre for Economic Policy Research" 2001, No. 76(Spring).

[8] V.A. Schmidt, op.cit., p. 36.

tirely free and clear of national influence. This is because "international competition remains 'powerfully conditioned' by national regulation not only in the financial markets but also in the various industrial sectors"[9]. The fact of the matter is, it is national regulations that still determine how companies can operate in the national arena, setting rules for competition, standards of performance, and product quality, as well as worker protections related to hiring, firing, promotion, affirmative action, as well as occupational safety and health. And more recent reforms in that area are even described as "competitive re-regulation"[10]. Anyway, contrary to the conventional wisdom, the situation in that area is a far cry from a "race to the bottom through competitive deregulation, where all governments, whatever the regulatory reforms, scramble to reduce capital controls, moderate business rules, and reduce social protections in order to attract and retain global finance and business"[11].

What is more, trade openness does generally correlate with expansion in government spending rather than with reduced government spending, as the sceptics have argued, it is true that unusually high levels of openness have also been associated with unusually large decreases in the size of government. Overall however, it is extremely difficult, if not impossible, to make any reliable causal generalizations based on large-scale, time-pooled, cross-national, and multivariate analyses, given governments' varied and changing responses to external economic pressures over time. On the other hand, what smaller-scale, more fine-tuned, and time-sensitive quantitative analysis of advanced welfare states shows is that governments still have significant – although somewhat restricted – margins of manoeuvre, and that, rather than convergence towards any given set of policies or spending levels, countries have continued to exhibit wide differences in what they spend, in how they spend, and in how much they spend[12].

The truth of the matter is, despite the constraints imposed by tighter budgets, countries can – and do – still spend a lot on the welfare state, even as they seek to contain costs; only when public debt has been exceedingly high – that is, above 100 per cent of GDP in the cases of Belgium and Italy – can globalization pressures

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[9] S.K. Vogel, *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*, Ithaca–New York 1996.

[10] J.P. Trachtman, *International Regulatory Competition, Externalization, and Jurisdiction*, "Harvard International Law Journal" 1993, No. 34, pp. 47–104.

[11] V.A. Schmidt, op.cit.

[12] F.W. Scharpf, *Economic Changes, Vulnerabilities, and Institutional Capabilities* [in:] *Welfare and Work In the Open Economy*, Vol. I: *From Vulnerability to Competitiveness*, F.W. Scharpf, V.A. Schmidt (eds.), Oxford 2000.

related to strong capital mobility be shown to be an explanation for cuts in welfare provision[13]. And equally significantly, they spend in different ways, given differences in claiming principles, beneficiaries, financing, and services as part of different constellations of welfare states[14], underpinned by their respective configurations of property relations. This circumstance reveals the most fundamental flaw to the "crisis" thesis in its globalisation version – its undialectical nature, an assumption that given processes bring about similar effects irrespective of specific national socio-economic and political contexts. Meanwhile, welfare states have been differentially affected by globalization, with some more vulnerable to globalization pressures than others.

Thus, there is evidence to suggest that, despite the general trend to attempt to rationalize the welfare state, the extent of reform tends to remain in keeping with what on the surface is manifested as nationally based, historically endorsed attitudes toward the proper role of government, which in the final analysis are conditioned by their corresponding ownership structures. Those account for the fact that countries that nurtured comparatively high levels of interventionism in the social policy arena in the past – for example, Italy or Germany – continue to approve of higher levels of interventionism – for instance, in government responsibility to provide jobs for all – than those that tolerated much lower levels of state interventionism – for example, the United States and Britain[15]. It should also be noted that, in keeping with sociological dialectics, the pattern of reform, whether towards greater fiscal tightening or stronger social protection, tends to depend not only on pre-existing welfare state arrangements but also on the domestic political and institutional context.

To reiterate, there is no convergence in the welfare arena. Rather than all countries following the path taken by Anglo-Saxon countries and moving toward a 'liberal' welfare state model, with low social benefits and services and an emphasis on individual responsibility, as those subscribing to neo-liberal doctrines would have it, most non-Anglo-Saxon countries retain the basic features of their traditional models even as they introduce certain liberalizing measures. The Scandinavian countries have remained true to the social-democratic model (grounded in the wide fiscal commons) by respecting values of equality and universality of provision

[13] D. Swank, *Globalisation, Democratic Institutions and the Welfare State*. Paper presented at the American Political Science Association National Meetings,Washington, DC, 30 August–3 September 2000, p. 23.

[14] G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton 1990.

[15] H. Döring, *Public Perception of the Proper Role of the State* [in:] W.C. Müller, V. Wright (eds.), *The State in Western Europe: Retreat or Redefinition*, London 1994.

while maintaining a high level of benefits and services despite cuts in benefits and the introduction of user fees. On the other hand, although the continental European countries have reformed their conservative model to varying degrees in different ways, all have retained their reasonably high level of benefits and sense of collective responsibility even as they have introduced some degree of individual recourse through pension reform[16].

The said divergence manifests itself also in the diversity of main social problems faced by the respective welfare regimes. Poverty remains a problem primarily in the Anglo-Saxon countries, where social transfers do not bring the poverty level down as much as in the more generous continental and Scandinavian countries. In continental countries, by contrast, the chief problem is unemployment, due to much greater labour-market rigidities than in Anglo-Saxon or Scandinavian countries. For the Scandinavian countries, the problem is maintaining the welfare state at such a high level[17]. The lack of flexibility of what is commonly called the labour market merits some comment. First and foremost, the latter term is a misnomer; labour is in actual fact not a market category (a commodity) at all; a worker cannot sell his or her labour for money revenues because simply, this labour is not yet in existence, it will come into being only after contracting for alienating her or his labour power, or capacity to work, as distinct from actual work.

Under capitalism, to earn income, an employee must agree to the labour conditions (including obedience to the rules and directives) of an employer who wants to utilise his or her labour power in a definite period of time. Now, under certain welfare regimes, broadly corresponding to the notion of stakeholder capitalism[18], workers are accorded a certain extent of ownership of the job, which on the surface shows up as the aforementioned "rigidities", restraints on the employers' power to hire and fire at will.

Overall, it turns out that "the only evidence of a significant globalization effect to emerge anywhere in the analysis is an apparent relationship between the growth of foreign direct investment and cutbacks in existing programme spending. However, this is an effect that proves not to be statistically robust. Thus, the supposed threat of globalization is revealed as a 'paper tiger'"[19]. It influences neither aggre-

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[16] V.A. Schmidt, *Values and Discourse in the Politics of Welfare State Adjustment* [in:] *Welfare and Work in the Open Economy*, Vol. 1: *From Vulnerability to Competitiveness*, F.W. Scharpf, V.A. Schmidt (eds.), Oxford 2000.

[17] See: F.W. Scharpf, *Economic Changes, Vulnerabilities…*, op.cit.

[18] See: J. Tittenbrun, *Two Capitalisms* [in:] *Capitalism or Capitalisms?*, J. Tittenbrun (ed.), Szczecin 2009.

[19] F.G. Castles, *The Future of the Welfare State: Crisis Myths and Crisis Realities*, Oxford 2004, p. 6.

gate spending nor programme priorities, and, moreover, its apparent effect on welfare state downsizing disappears once one takes account of the effects of cross-national differentials in pension generosity. Most relevantly, the major source of expenditure variation on programmes for the elderly is not variation in the age structure of the population as such, but rather the differential generosity of such programmes in different countries. An important implication of this revealing finding is that "the so-called 'old-age crisis' is not one of general application, but limited to particular countries. Another is that the frequent claims by policy-makers that their actions are constrained by the brute facts of a 'greying' population are often simply covers for attempts to make expenditure cuts or for an incapacity to do so. […] a key determinant of fertility levels across the OECD is the extent to which countries have adopted family-friendly public policies. This means that, contrary to the general thrust of the crisis literature, certain kinds of social policy initiatives are crucial to the continued vitality of Western societies. Changing welfare needs define the changing tasks of the welfare state"[20].

3. The welfare state and the EU

In the context of this unique supra-national structure called the European Union, the aforementioned idea of welfare state convergence has re-emerged in a new guise, with an active debate on the potential of EU institutions to bring about "a 'harmonization' of social policy in Europe and the emergence of a 'European social model' providing social protection in a manner distinctively different from that elsewhere in the Western world"[21].

But again, such claims should not be taken for granted. The fact of the matter is, "in the social policy arena is Europeanization not so protective. Here, in the absence of common policies, and the difficulty of instituting them because of the tremendous diversity in the concepts, priorities, policy instruments, and funding

[20] Ibidem.

[21] See: S. Liebfried, *Towards a European Welfare State?* [in:] *New Perspectives on the Welfare State in Europe*, C. Jones (ed.), London 1993; S. Leibfried, P. Pierson, *Semisovereign Welfare States: Social Policy in a Multitiered Europe* [in:] *European Social Policy: Between Fragmentation and Integration*, S. Leibfried, P. Pierson (eds.), Washington 1995; J. Grahl, P. Teague, *Is the European Social Model Fragmenting?*, "New Political Economy" 1997, No. 2, Vol. 3, pp. 405–26; G. Falkner, *EU Social Policy in the 1990. Towards Corporatist Policy Community*, London 1998; M. Ferrera, A. Hemerijck, M. Rhodes, *The Future of the Europe "Social Model" in the Global Economy*, "Journal of Comparative Analysis: Research and Practice" 2001, No. 2, Vol. 3, pp. 163–190.

of social security systems[22], European member states have been left to cope largely on their own with social security deficits, unemployment, and/or poverty in a climate of budgetary austerity[23]. Moreover, while European monetary integration may have reduced globalization pressures on member states' currencies, it may simply have displaced these onto their economies through the even greater demands for budgetary austerity related to the restrictive criteria for the EMU[24]. And because countries will no longer have the monetary flexibility of the past in times of economic downturn to cushion its effects by, for example, lowering interest rates, adjusting the money supply, loosening credit, or devaluing the currency, they are likely to feel economic problems more intensely and/or more immediately. And the question of possible financial help from the EU, as shown by a string of recent events, is very controversial; suffice it to cite President of the Bundesbank, Hans Tietmeyer, who in an address in Dublin on 15 March 1996, made it clear that "In the event of an asymmetric shock, the countries in the monetary union must, on a point of principle, be responsible themselves for achieving the necessary flexibility through internal measures"[25].

It is thus important to get a clear picture of complex effects of European integration. Viewed dialectically, on the one hand, it may serve as a protection from globalisation, but on the other, it may act in fact hand in hand with the latter – its consequences in the form of liberalisation and deregulation may act as a source of regulatory competition among member states with rising pressures for reductions in e.g. payroll taxes and labour protections in order to increase business' competitiveness and the country's overall attractiveness to investors[26]. Furthermore, deregulation in the "public service" sectors, that is, infrastructural services such as

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[22] L. Hantrais, *French Social Policy in the European Context*, "Modern and Contemporary France" 1995, No. 3, Vol. 4, pp. 381–90; F.W. Scharpf, V.A. Schmidt (eds.), *Welfare and Work in the Open Economy*, Vol. I: *From Vulnerability to Competitiveness*, Vol. II: *Diverse Responses to Common Challenges*, Oxford 2000.

[23] S. Leibfried, P. Pierson, *Semisovereign Welfare States: Social Policy in a Multitiered Europe* [in:] *European Social Policy: Between Fragmentation and Integration*, S. Leibfried, P. Pierson (eds.), Washington 1995, p. 74.

[24] A. Martin, *What Does Globalization Have to Do with the Erosion of Welfare States? Sorting out the Issues*, "ZeS-Arbeitspapier" 1997, No.1; P. Pierson, *Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confront Permanent Austerity*. "Journal of European Public Policy" 1998, No. 5, pp. 539–60.

[25] Cf. B. Laffan, *The European Union: A Distinctive Model of Internationalization?*, "Journal of European Public Policy" 1998, No. 5.

[26] S.W. Scharpf, *Negative and Positive Integration in the Political Economy of European Welfare States* [in:] *Governance in the European Union*, G. Marks et al. (eds.), London 1996; S.W. Scharpf, *Economic Integration, Democracy and the Welfare state*, "Journal of European Public Policy" 1997, No. 1, Vol. 4, pp. 18–36; S.W. Scharpf, *Economic Changes, Vulnerabilities, and Institutional Capabilities*

telecommunications, energy, and transport, has represented a special challenge for countries where these services are linked to cherished notions about the welfare state, that is, how best to ensure public access to essential services in order to promote the general interest – which was particularly noticeable in the case of France. It may be added that such fears have been more than warranted; the developments in question may in fact lead to dispossession of those facilities' previous owners, i.e. the populace.

Overall however, "although common efforts at resolving problems have developed recently, such as the new benchmarking exercises with regard to employment and social policy following the Luxembourg and Lisbon summits through the open model of coordination, these rely on voluntary efforts in which countries are expected to learn from one another's 'best practices' and to be 'named and shamed' into meeting their self-set targets. There is no significant 'positive integration' promoting European-level social regulation, and certainly no European welfare state in the offing"[27].

What is more, obstacles on the road to such an end are not only of a practical nature (the diversity and complexity of national social security systems), but also of doctrinal and political one-policy-makers of Britain, France, and Germany deliberately accepted an "asymmetrical" EMU in which the monetary aspect was highly developed and the economic one only minimally. They did not want to consider national fiscal and social policies or the issues of wealth distribution at the European level, convinced that the issues were too politically sensitive and better left to piecemeal, national-level changes in response to the pressures of market forces[28]. This accounts for the fact that "member states have largely retained their autonomy with regard to social policy to the detriment of their capacity"[29].

That the above contention is true, has been amply demonstrated during the Euro crisis, as it is generally agreed that its underlying cause had been precisely this lack of supra-state fiscal capacity, which means in our terms supranational common fiscal property. At the same time experts concur that the only effective way out of the present crisis is precisely the Federal budget, political integration in the sense of instituting a supranational taxman. European integration constitutes the only available defence against the challenges of globalisation, due to which

[in:] *Welfare and Work In the Open Economy*, Vol. I: *From Vulnerability to Competitiveness*, F.W. Scharpf, V.A. Schmidt (eds.), Oxford 2000.

27 V.A. Schmidt, *The Futures of European…*, op.cit., p. 36.

28 A. Verdun, *An "Asymmetrical" Economic and Monetary Union in the EU: Perceptions of Monetary Authorities and Social Partners*, "Journal of European Integration" 1996, No. 1, Vol. 20, pp. 59–82.

29 V.A. Schmidt, *The Futures of European…*, op.cit., p. 52.

national sovereignty has been lost anyway – to pre-empt any nationalist fears that might be voiced against such a closer integration. Therefore, the current political climate, still most unfavourable to such initiatives, constitutes the most unfortunate development. The monetary crisis has clearly shown that to solve its problems, the European Union needs to upgrade its structures to the level of what would, for all intents and purposes, constitute the United States of Europe based on a supranational common property. Unfortunately, given the disappearance of major political differences between the right and the left (epitomised by the title of the main ideologue of Blair's Third Way[30]), an entanglement of politicians of whatever hue in the unending electoral cycle, with its resulting short-termism and catering to what is perceived, correctly or not, (on the basis of sociological techniques that leave much to be desired) as the current state of public opinion, which political system is a poor breeding ground for genuine statesmen, as distinct from professional (but not in the sense of a vocation, to refer to famous Weber's essay) politicians and bureaucrats.

All in all, it could be argued that Europeanization has served to enhance some of the beneficial effects of globalization for EU member states while avoiding many of its negative effects through common monetary and industrial policies, although not social policy. But these gains in shared supranational authority and control have inevitably "come with added losses of national autonomy in the monetary and industrial policy arenas, at the same time as the continued autonomy in the social policy sphere has entailed a loss of capacity"[31].

Be that as it may, from the late 1980s onwards, the European Commission headed then by Jacques Delors took a series of initiatives, including the Social Charter and EU-wide anti-poverty initiatives, aimed at ensuring that the advent of the single market did not lead to social dumping on an increasing scale[32]. The premise for such policy innovations, to be sure, not necessarily involved contradiction of the view that enhanced economic integration could have adverse social consequences. Rather the argument was that adverse trends could only be addressed if integration was accompanied by a strengthening of social policy institutions.

Europe will be a Europe for everyone, for all its citizens, or it will be nothing. It will not tackle the new challenges now facing it – competitiveness, the demographic situation, enlargement and globalization – if it does not strengthen its

[30] A. Giddens, *Beyond Left and Right*, Cambridge 1994.
[31] V.A. Schmidt, *The Futures of European…*, op.cit., p. 52.
[32] See: J. Delors, *Our Europe*, London 1992.

social dimension and demonstrate its ability to ensure that fundamental social rights are respected and applied[33].

Although Delors' departure from the Commission was a setback to such aspirations, the social democratic ascendancy at the turn of the millennium gave another spur to the EU social policy institution building. The Dutch Presidency took the initiative in launching a common employment policy in 1997, the Lisbon Summit in March 2000 put to the fore the social protection agenda, and the Nice European Council in December 2000 was told that "the European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy"[34].

4. Varieties of the capitalist welfare state

Last but not least, in October 2001, a report submitted to the Belgian Presidency of the EU, while conceding the existing variety of social policy provision in Western Europe, set out to elaborate the reforms needed to provide "a new social policy architecture for Europe"[35].

To take up the topic of diverse welfare regimes hinted at above, Ebbinghaus (1999) bases his typology of capitalism on consideration of the Welfare State, and distinguishes four models within Europe: Nordic, Central European, Southern European, and Anglo-Saxon. The four types of capitalism are each characterized by a specific type of welfare state, the classification in this area being taken from Esping-Andersen[36].

From the ownership-class standpoint, the Nordic model differs from Germany's Central European model in its universalist welfare state, which allows for higher labour-force participation.

Although in superficial classifications both countries may be included under one common rubric of the Northern Europe, in actual fact Sweden offers very different types of benefits and criteria for distribution from Germany's conservative welfare state, where welfare is more closely linked to occupational stratification.

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33 Comité des Sages, *For a Europe of Civic and Social Rights*, Brussels 1996, p. 23.

34 Council of the European Union, *Document 14011/00, SOC 462 (Annex)*, 2000.

35 See: G. Esping-Andersen, D. Gallie, A. Hemerijck, J. Myles, *Why We Need a New Welfare State*, Oxford 2002.

36 G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton 1990.

The most widely used typology of social-protection systems is perhaps the aforementioned one, authored by Esping-Andersen[37], which distinguishes three basic types of welfare state. The liberal model is characterized by: low and means-tested assistance, flat-rate benefits providing incentives to seek income from work, as well as the predominance of limited social-insurance plans. In terms of our analytical paradigm it means a priority of work as a criterion of access to benefits from common property, and by the same token a limitation of the latter. This is manifested in the fact that no explicit redistributive aim is given to the system. Entitlement rules are strict and often associated with social stigma; benefits are limited and the State encourages market-based protection, both by providing only minimal assistance and by subsidizing private schemes. Contrary to the universalist social-democratic system, the liberal system favours (re)commodification. Ebbinghaus[38] introduces a distinction between the liberal residualism of the USA and the liberal-universalist model characteristic of the UK. This distinction would make the UK an intermediate case between the pure liberal model and the universalist model of Scandinavia. Flora[39] takes a broadly similar position.

In turn, in the aforementioned social-democratic model, the social-protection system is universal, based on citizenship, promotes social equality, and implies decommodification and detachment from family; i.e. individuals can achieve a reasonably high standard of living without market participation and independently of family support. Such attributes as demarketisation and universalisation mean that this system is characterised by the widest-relative to the remaining welfare regimes-range of common property embodied in the welfare state. Lastly, the conservative-corporatist model is committed to preserving status and providing solidarity within rather than between social groups and therefore its redistributive function is more restricted than that in the social-democratic model. Welfare benefits are linked to activity and employment. The regime favours moderate decommodification and familiarization.

Ebbinghaus[40] has added a 'Latin' residual – welfare state cluster derived from the liberal cluster. The differences between Spain and Portugal, but also Italy and

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[37] Ibidem.

[38] B. Ebbinghaus, *European Labor Relations and Welfare-State Regimes: A Comparative Analysis of their "Elective Affinities*, Paper presented at the *Conference on Varieties of Welfare Capitalism in Europe, North America, and Japan*, Cologne 1998.

[39] P. Flora, *Introduction* [in:] *Growth to Limits: The Western European Welfare States since World War II*, P. Flora (ed.), Berlin 1986.

[40] B. Ebbinghaus, op.cit.

France, and the continental welfare states are emphasized: fewer welfare state benefits, more traditional intermediary institutions such as Church and family.

It is at this juncture that one should locate our own case. The social protection sector in Poland is built around the conservative continental European model, close to its 'Latin subsidiarist' subtype[41]. However, since the late 1990s Poland's welfare state has been contracting in size. It is characterized by (lower-) moderate levels of social protection and public spending. Social expenditures are generally oriented towards pensions, disability benefits, and poverty alleviation, whereas other social services are of less significance. Finally, the Polish education sector is publicly funded and oriented towards general skills. It is characterized by a moderate degree of public expenditure on education, the bulk of which is allocated for primary and lower-secondary education. Other major characteristics of Poland's educational system include: (lower-) moderate enrolment rates; weak vocational training; no importance of life-long learning and training; emphasis on basic skills and the quality of primary education; weak science and technical education; and weakly state-funded research and development activities"[42].

Ebbinghaus on the basis of empirical analysis resting on the structure of social expenditure distinguishes three or six groups of countries, which are broadly compatible with the typology of Esping-Andersen. According to this classification, Sweden, Denmark, Norway, and Finland epitomise the social-democratic welfare approach. Japan, Canada, and the USA exemplify a private social-protection system. Note that in the scheme under investigation the UK is not in the same group as the USA, breaking with the usual market-based clustering of countries. A distinct continental European public model of social protection emerges, encompassing France, Germany, Austria, and Belgium. On an axis that serves to measure the distance vis-à-vis the ideal social-democratic model Finland is the nearest country to this ideal model whereas Korea is the most distant from it. This axis opposes the social-democratic model to the Asian capitalism.

"Continental European model could be considered as a toned-down version of the social-democratic model, i.e. with less extensive social protection, partly compensated for by more pronounced job protection. Going further in that direction, the Mediterranean model of capitalism compensates for narrower social protection with more prominent labour-market rigidity and employment protection"[43].

[41] B. Ebbinghaus, P. Manow (eds.), *Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA*, London 2001.

[42] B. Hancké, M. Rhodes, M. Thatcher (eds.), *Beyond Varieties of Capitalism: conflict, contradictions and complementarities in the European economy*, Oxford 2007.

[43] B. Amable 2004, p. 175.

Among factors contributing to the diversity of welfare systems one should also mention politics. "Partisan politics is significantly associated with some dimensions of the diversity of capitalism. The left–right axis seems to follow the social-democratic to market-based line. A higher proportion of left and left-libertarian votes would express a preference for fewer market-based mechanisms and a more universalist Welfare State"[44].

5. Crisis or change?

Diversity is not the only parameter of welfare systems that one must take into consideration. We believe that in the case of the welfare state a terminological shift would be most welcome – instead of over-using and abusing the notorious "crisis", one could speak simply of change. In the domain of welfare systems, as in the area of social life in general, change – due to a host of economic, demographic, social, political and cultural developments – is in the longer run inevitable, but there is always a question of extent and rate of such transformations.

Social-protection systems have evolved in recent years but compared to many other institutions present much more inertia. This is the case because of the multitude of interests involved in the stability of such systems; there are always strong social groups (socio-economic classes and/or estates-non-economic groups based on non-economic property relations that benefit from status quo and have therefore vested interests in it, seeking-often with success the politicians' support and thus creating distribution coalitions, to use Mancur Olson's well-known term.

All in all, "the past two decades have seen large shifts in the welfare-budget structure, with the improvement of health coverage, the rise in pensions tied to the ageing of the population, and the rise in the share of unemployment benefits forced by rising unemployment. It follows that in most countries, despite a turn towards a more restrictive vision of solidarity which aims at linking benefits more closely to personal efforts to reduce the relevant risk, welfare expenditures have increased relative to GDP, most of the increase being related to the rise in health expenditures and pensions"[45].

This is a far cry from the doom and gloom image one can found in the crisis literature. This does not mean that the institution of the welfare state is not beset by serious problems, some of which have been mentioned above. Another issue is

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44 Ibidem, p. 188.

45 Ibidem, p. 153.

the so-called dualisation, pitting lucky insiders-employees who have a job against the jobless, which in our theoretical terms could be couched as ownership of jobs, most often than not expressing a collective, unionised ownership of labour power. This kind of labour power-market segmentation is at odds with core values of the welfare state, such as equality and equity and aggravates the unemployment problem, especially of the young. There are also problems of the viable structure of national pension systems, wherein the public vs. private issue is at the heart of concerns of both decision makers and beneficiaries themselves.

6. Concluding remarks

To round off our discussion, an analysis of the issue of change vs. crisis pertaining to the welfare state overlaps that of socio-diversity displayed by the welfare systems under investigation. Most recently, the diversity of types of social policy system in Europe has been explored in the monumental studies edited by Scharpf and Schmidt[46], which provide an account of the evolving economic context of Esping-Andersen's "liberal", "conservative", and "social democratic" worlds of welfare capitalism. Another researcher took up this comparative question in terms of two measures of aggregate spending adjusted to reflect levels of welfare dependency. One was a welfare state generosity ratio obtained by dividing total social spending by the percentage of the population aged sixty-five years and over plus the percentage of the civilian population who were unemployed. The other was a measure of real social expenditure per dependent obtained by multiplying the welfare state generosity ratio by real GDP per capita. Significantly, "most of the EU cutbacks were relatively small, and the decline in average generosity ratios was driven largely by major reductions in standards of provision in just two countries: the Netherlands and Sweden. Since these countries, along with New Zealand, had much the highest generosity ratios in the OECD in 1980, it seems more reasonable to suppose that what we are seeing here is part of a process of wider OECD convergence to the centre rather than a downward harmonization peculiar to the member states of the EU"[47]. The same author continues: "in 1980, the only groupings formally qualifying as distinctive in their pension expenditure profiles were the Europe of five and continental Western Europe. However, the Scandinavian grouping fails to match up to

[46] F.W. Scharpf, V.A. Schmidt (eds.), *Welfare and Work in the Open Economy*, Vol. I: *From Vulnerability to Competitiveness*, Vol. II: *Diverse Responses to Common Challenges*, Oxford 2000.

[47] F.G. Castles, *The Future of the Welfare State: Crisis Myths and Crisis Realities*, Oxford 2004.

the criterion by only a relatively small margin. The pension systems of continental Western Europe tend to be designed along Bismarckian social insurance lines, while those of Scandinavia seek to combine modest earnings-related relativities with a flat-rate citizenship principle. In 1980, these different design principles appear to have had major implications for expenditure levels, with continental Western Europe consistently outspending the countries of Scandinavia. However, by 1998, the former grouping had become much more diverse in its spending patterns, while the Scandinavian pattern had become more distinct, with all these nations clustered tightly around the OECD age cash expenditure mean. […] In 1980, patterns of variation are extraordinarily distinct, with the Scandinavian, continental Western European, and Southern European families each clearly apparent and the commonalities of Northern Europe and the Europe of five no less clearly pronounced. […] the biggest aggregation with a clear identity is Northern Europe. At both the beginning of the period and the end, these countries were spending between 30 and 40 per cent of their welfare budgets on poverty alleviation and health. At the end of the period, they were consistently the countries with the highest levels of social expenditure and total outlays. These are countries in which social spending and the reach of government are sufficient to cater to basic need, without thereby necessarily sacrificing the wider objectives of the welfare state falling within the ambit of social security and state services provision"[48]. He then refers to Korpi and Palme, who most recently pointed to a statistically significant tendency for left-wing governments to make fewer benefit cuts in sickness, industrial accident and unemployment benefits in the period 1975–95 than governments of other ideological leanings. Overall, "the convergence trend of recent decades has been accompanied by an overall moderate growth in social spending that, to some extent, has displaced other categories of public expenditure, and has, almost everywhere, established the welfare state sector as the primary focus of modern public policy"[49].

It is thus reasonable to offer the following qualified optimistic conclusion to the effect that "at the start of the second decade of the 21st century, the welfare state remains a central institution in modern capitalist societies, strongly supported in the countries hit by the crisis. However, it has undergone substantial changes over the last decade or so, in terms of functions and in terms of its capacity to provide an encompassing protection against key social risks"[50].

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48 Ibidem, pp. 87–91.

49 Ibidem, p. 91.

50 G. Bonoli, D. Natali, *The Politics of the New Welfare State*, Oxford 2012.

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