

Reconceptualizing the welfare state

An empirical investigation of its growing symbiosis and contradiction with capitalism in rich European democracies.

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The Puzzle

What's Behind the Stunning Standstill (or even increase) of Poverty among the Working Age Population despite the Social Investment Turn and the Growth of Employment, Incomes and Welfare State Efforts, before the Crisis?

(Bea Cantillon, Frank Vandembroucke (2015), *Reconciling Work and Poverty Reduction*, Oxford University Press)

The Claim

In the last few decades both the symbiosis and the contradictions between the market and the welfare state have increased.

That is why – although the welfare started to work harder – in many countries the welfare state became less performant for flourishing the lives of the most vulnerable in society.

Symbiosis & Contradictions

Politics *against* markets (Esping-Andersen, 1988)

Politics *for* markets (Soskice & Iversen, 2015)

“The welfare state is an essential basis for human flourishing in capitalist society and an essential basis for capitalist flourishing in human society“ (Garland, 2014)

Politics *against* markets :

The welfare state as a 'moral economy' forced and forged by harsh social conflict :

- Repairing** market damages
- Redistributing** the unequal benefits of growth
- Protecting** against “squalor, ignorance, want, idleness, and disease”
- De-commodifying**

Hence a) the focus on social transfers, taxes and ‘equality of outcomes ‘

b) the predominance of the **pre/post approach** in evaluating the adequacy of social policies

Politics *for* markets :

The welfare state is also important to support capitalist production :

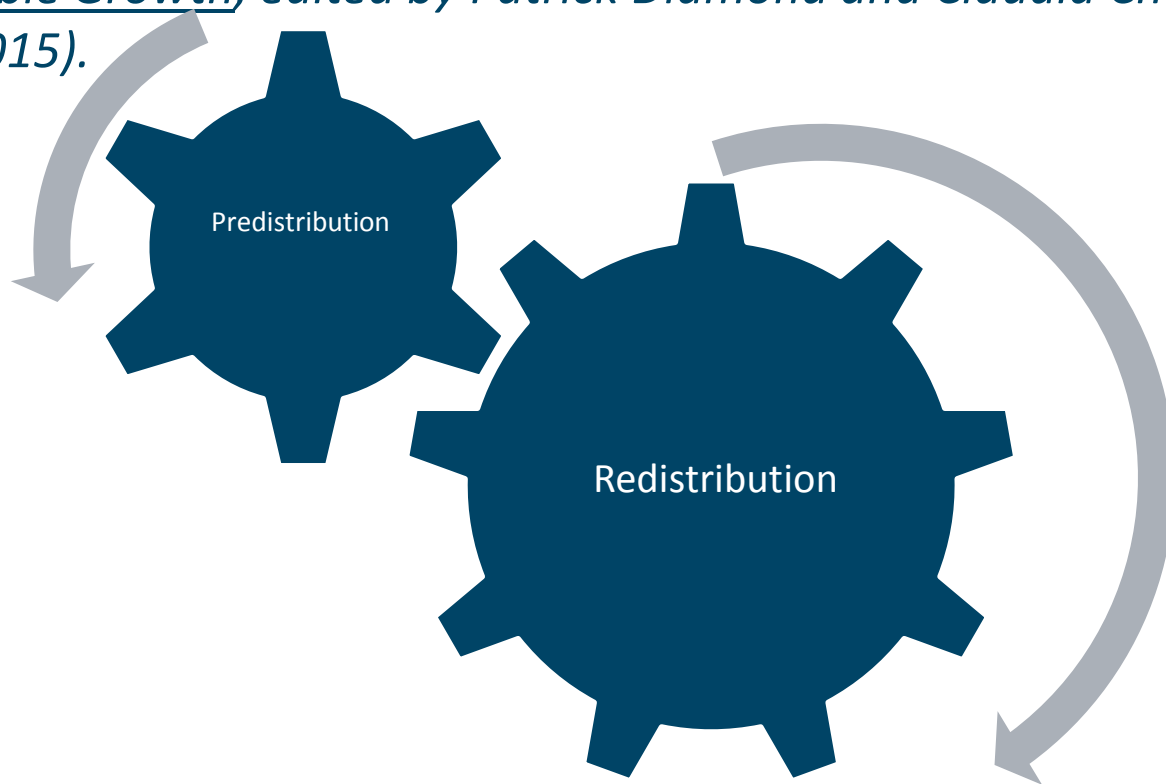
- **Preventing** strikes
- **Preparing** people to the labour market
- **Adapting** them to the requirements of the capitalist economy
- **Investing** in productive capacities
- **Preventing** social risks

Hence a) the focus on Social Investment and 'equality of opportunities'

b) the predominance of the study of the impact of activation, child care, education

Pre- and redistribution are inextricably linked

Much more complex than : *“The predistributive agenda is concerned with how states can alter the underlying distribution of market outcomes so they no longer rely solely on post hoc redistribution to achieve economic efficiency and social justice”* (*The Predistribution Agenda: Tackling Inequality and Supporting Sustainable Growth*, edited by Patrick Diamond and Claudia Chwalisz (I.B. Tauris 2015)).



Taking this **integrated perspective**, in recent decades :

1. **Increasing symbiosis** between the economy and the welfare state, between pre- and redistribution

2. However, **growing tensions** at the bottom

3. That is why, although it started to work differently and relatively harder, **the welfare state became less performant for flourishing the lives of the most vulnerable**



Growing symbiosis, in principle

The post war welfare state & the market

Avoiding strikes / Bringing social rest / Responding to market failures

The new welfare state

Maximizing men's and women's contribution to economic growth / Sustaining the low wage sector

=> **New tasks for the welfare state :**

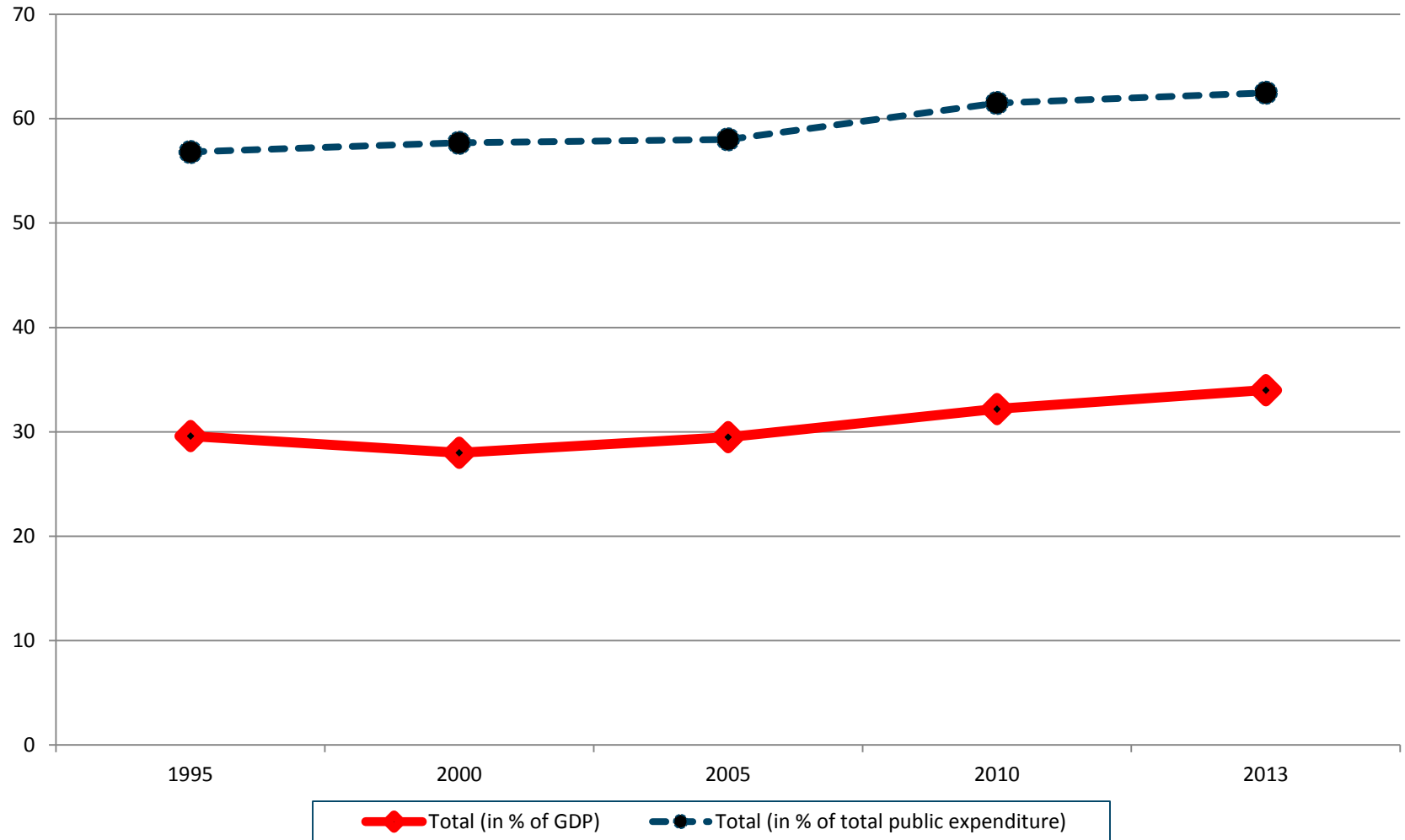
- Income maintenance for the employed (tax credits , child benefits, in work benefits)
- Subsidizing low productive work (tax credits)
- Facilitating the work & family balance (income maintenance for carers, child and elderly care)
- Activation & life long learning

Growing symbiosis, in practice

What can be learned from spending data ?

Social expenditure

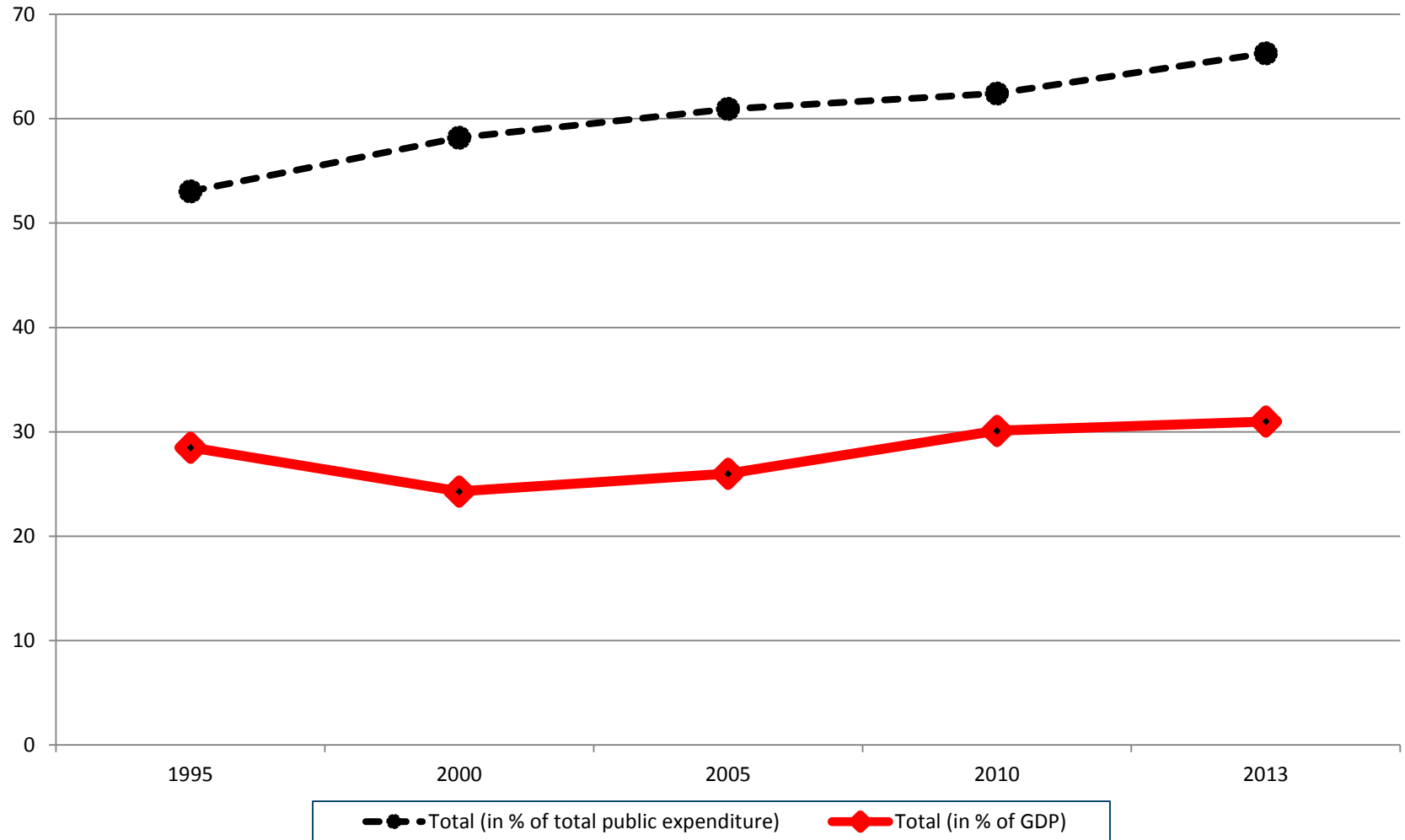
Belgium



Source: Eurostat, General government expenditure by function (COFOG) ESA2010 data.

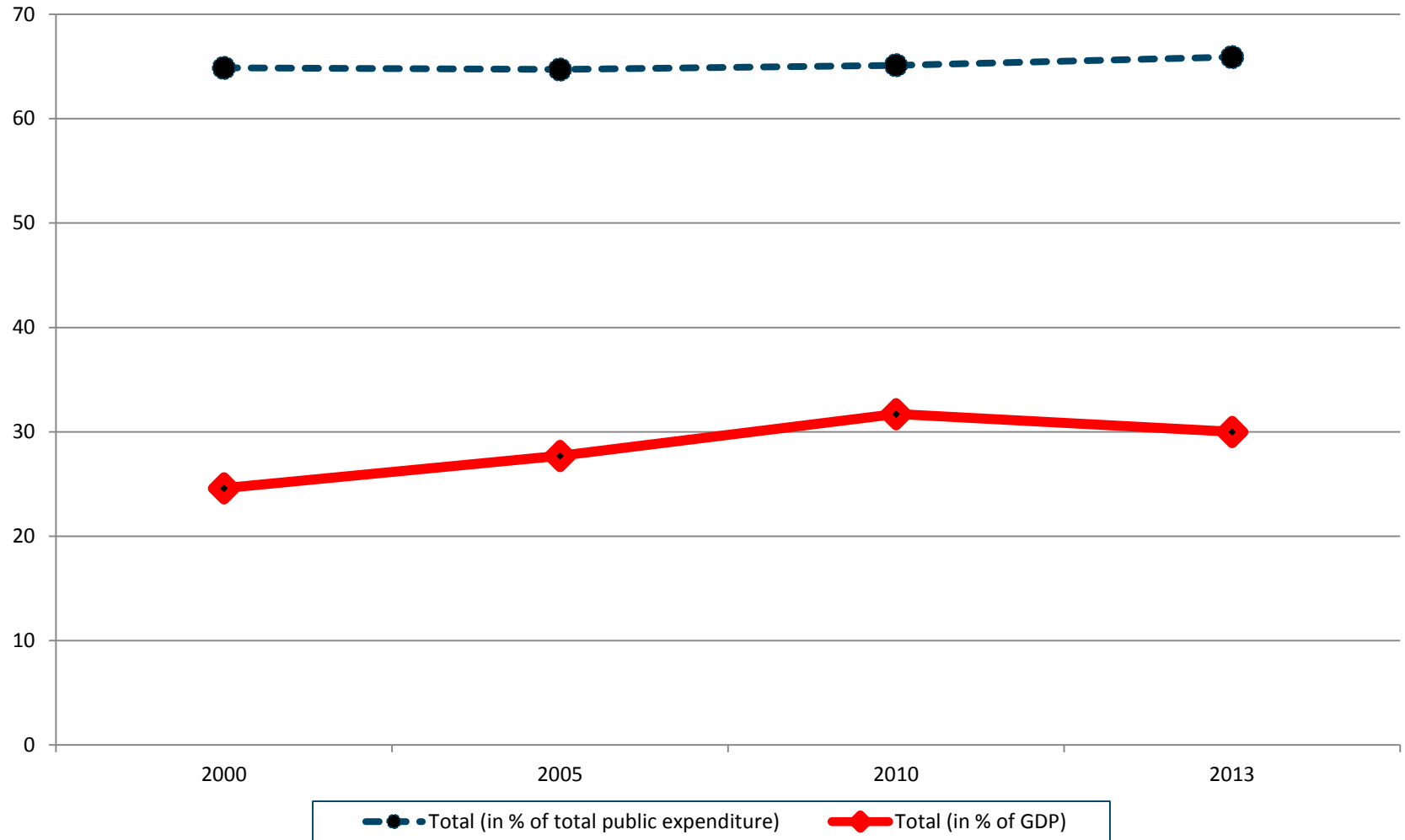
Social expenditure

The Netherlands



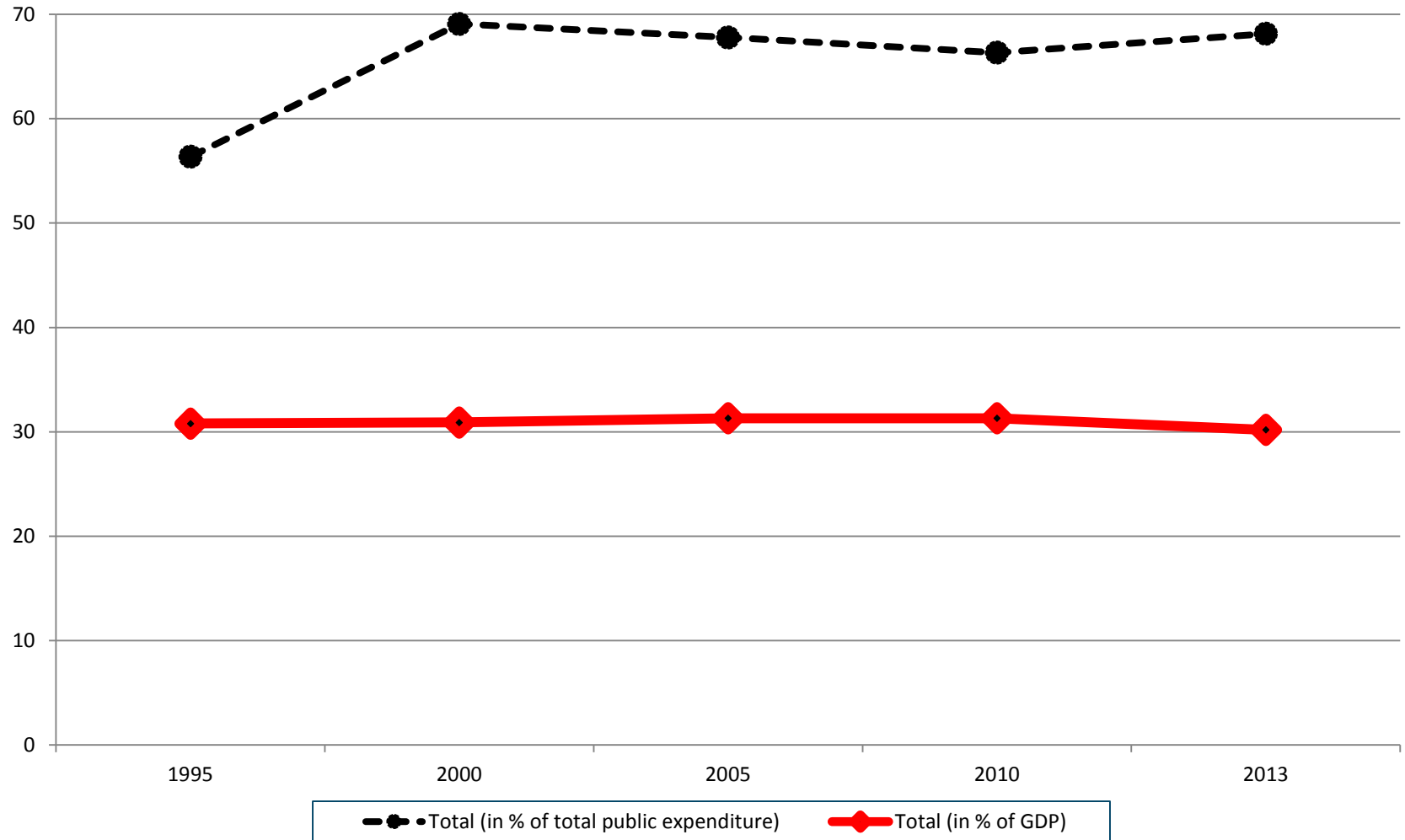
Source: Eurostat, General government expenditure by function (COFOG) ESA2010 data.

Social expenditure United Kingdom



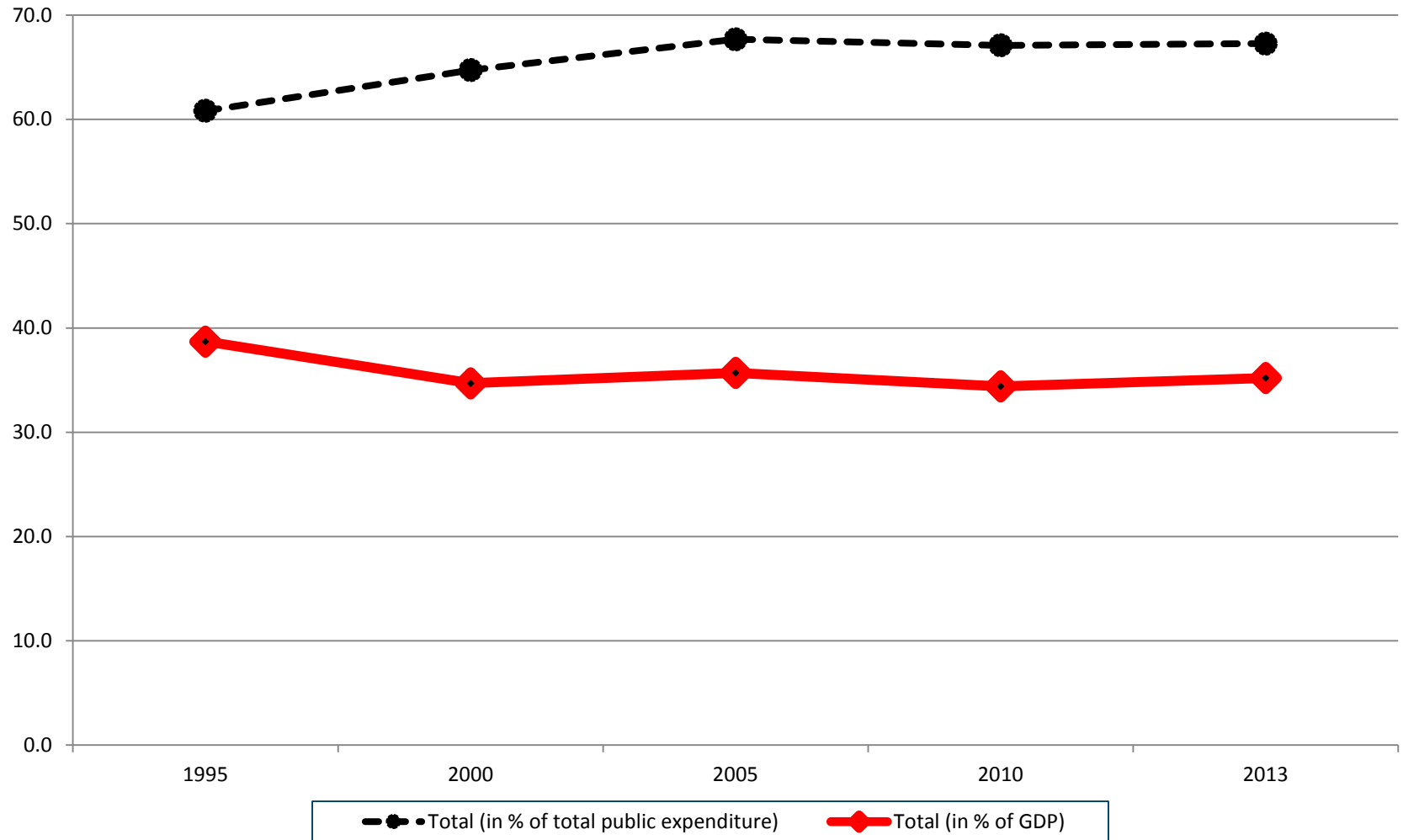
Source: Eurostat, General government expenditure by function (COFOG) ESA2010 data.

Social expenditure Germany



Source: Eurostat, General government expenditure by function (COFOG) ESA2010 data.

Social expenditure Sweden



Source: Eurostat, General government expenditure by function (COFOG) ESA2010 data.

Active age spending, excluding health, OECD

OLD : transfers & child benefits

NEW 1 : Parental Leave

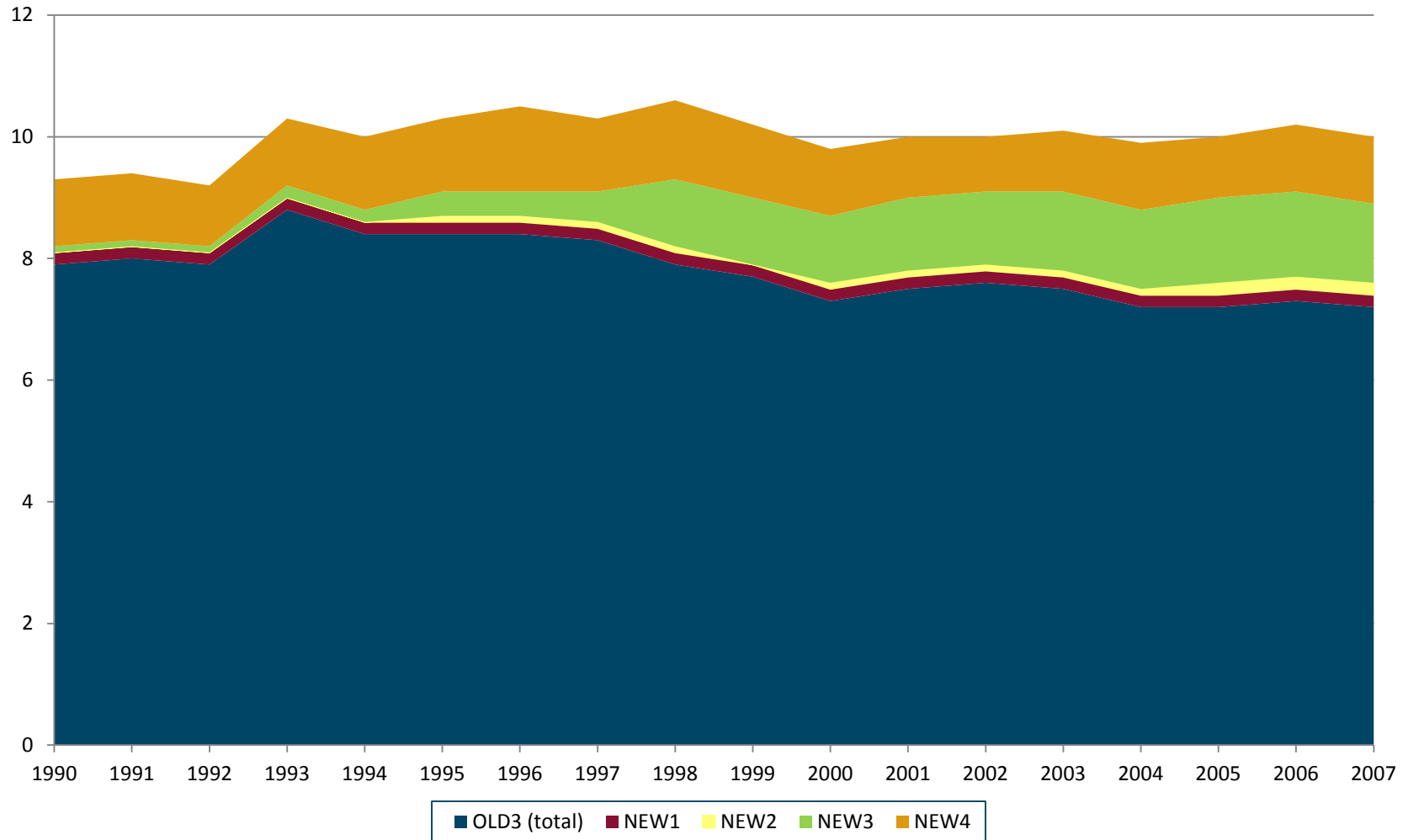
NEW 2 : Elderly Care

NEW 3 : Child Care

NEW 4 : ALMP

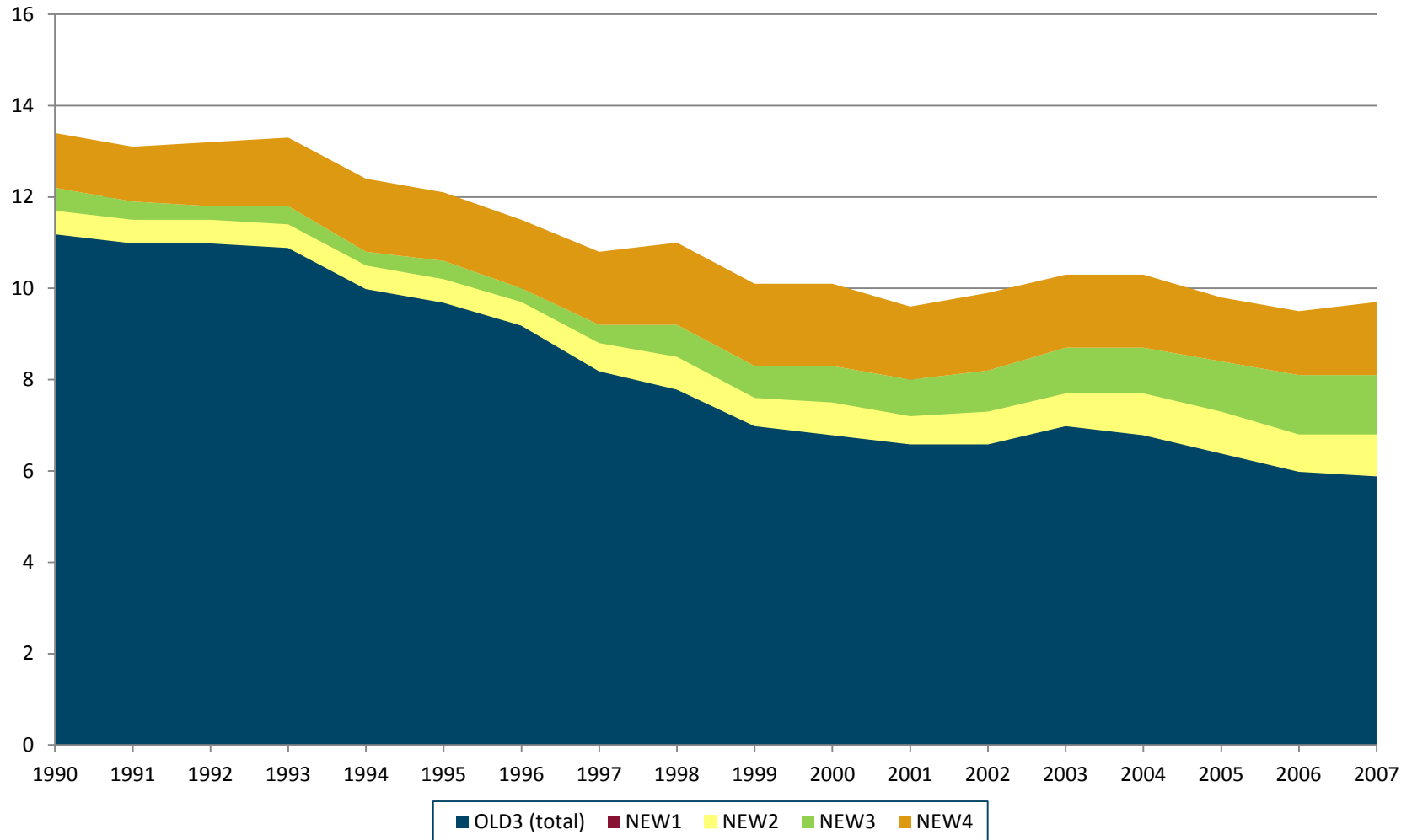
NOT INCLUDED : TAX EXPENDITURES !

Public Social Expenditure, active age population in % GDP, Belgium



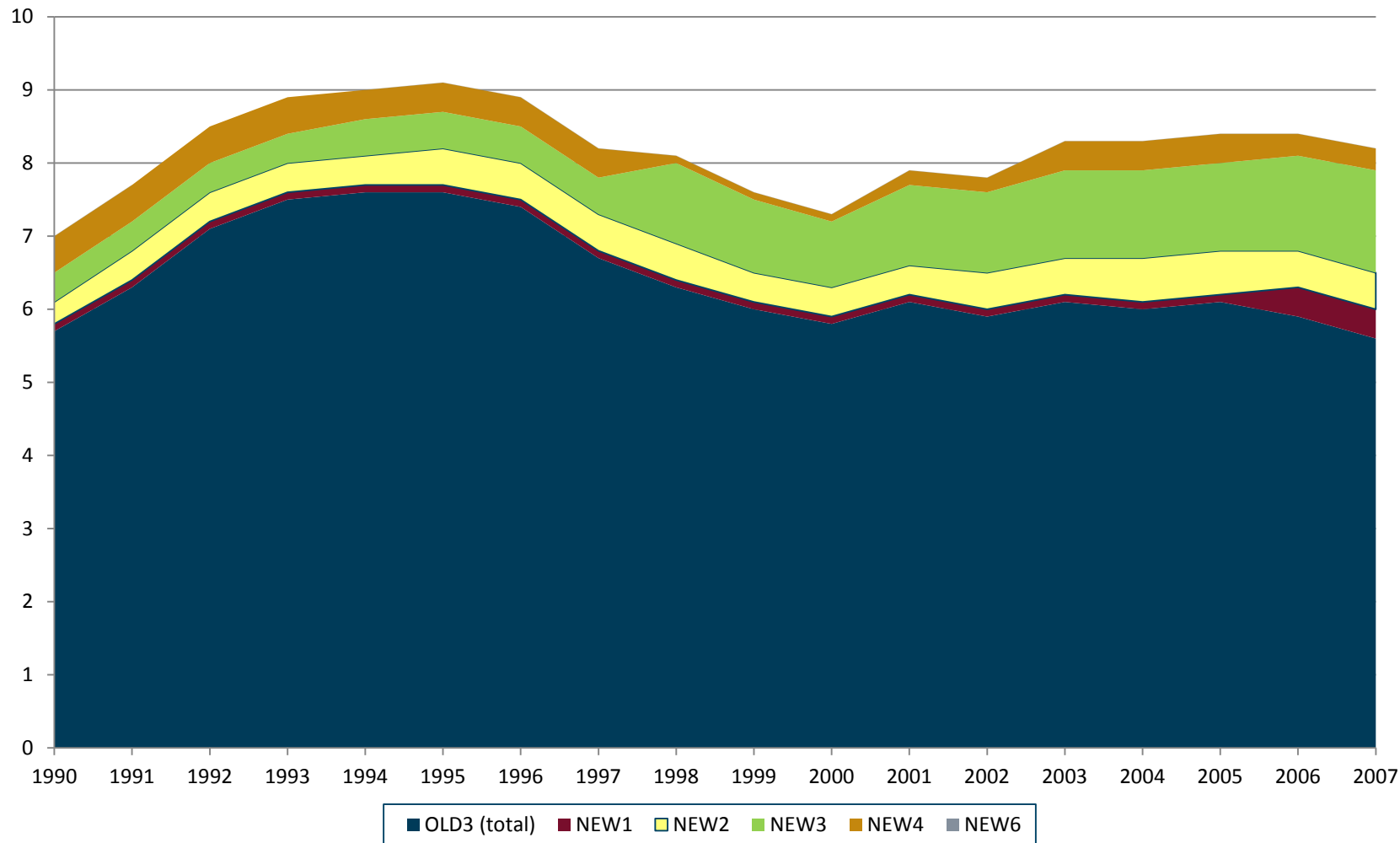
Source: OECD SOCX and education data.

Public Social Expenditure, active age population in % GDP, The Netherlands



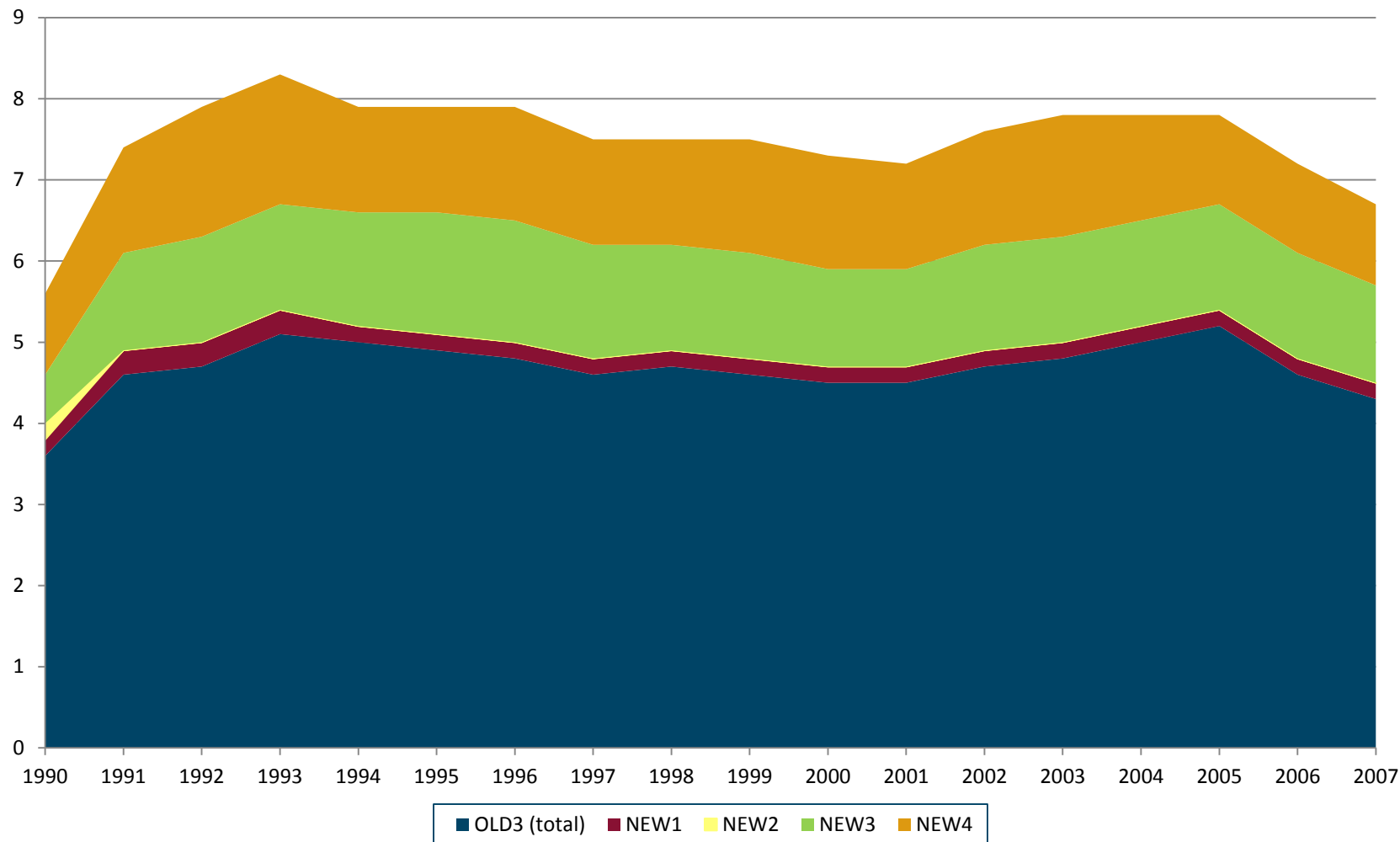
Source: OECD SOCX and education data.

Public Social Expenditure, active age population in % GDP, UK



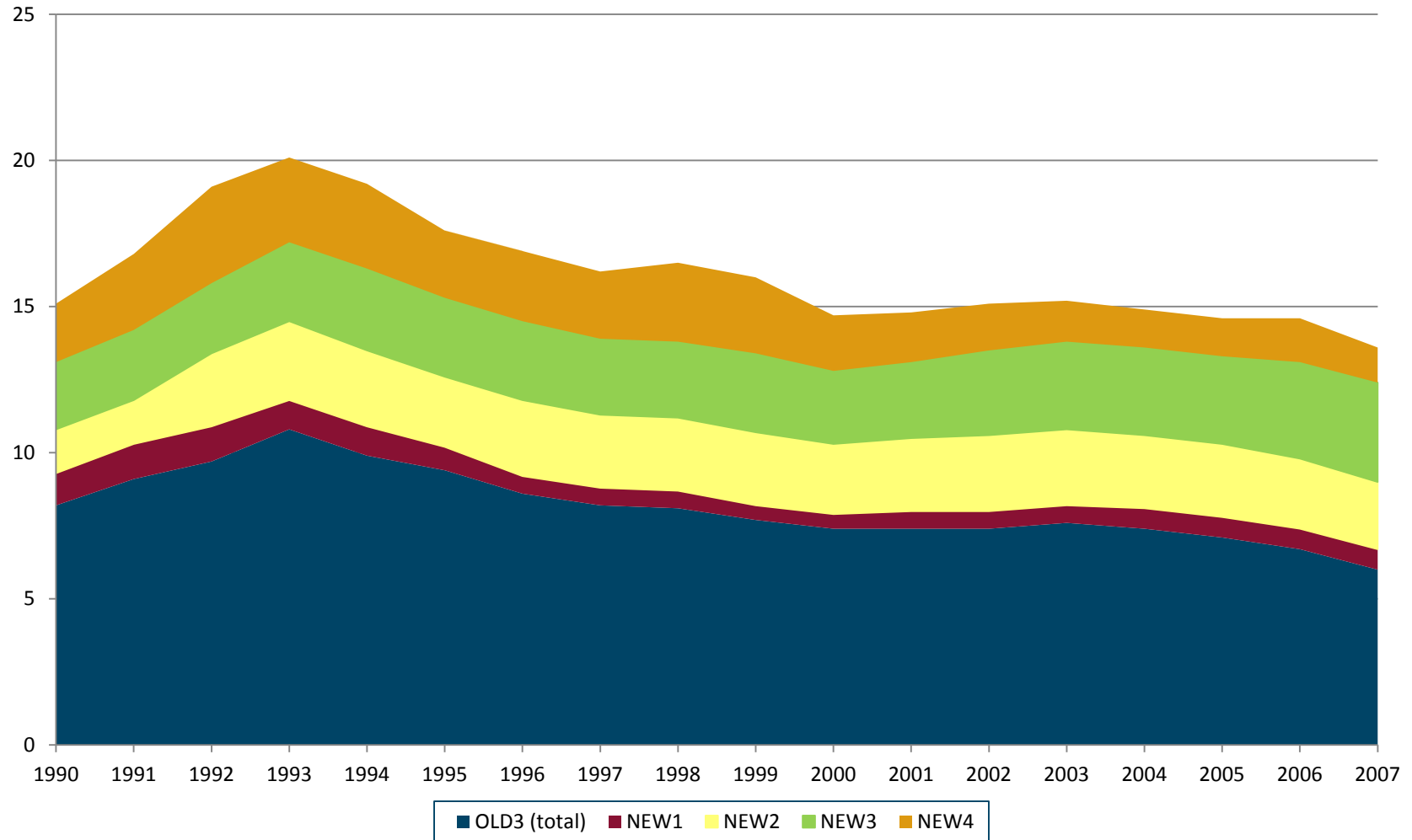
Source: OECD SOCX and education data.

Public Social Expenditure, active age population in % GDP, Germany



Source: OECD SOCX and education data.

Public Social Expenditure, active age population in % GDP, Sweden



Source: OECD SOCX and education data.

Percentage change for 'old' and 'new' public expenditures, '1985-1989' vs. '2005-2007'

	NEW WORKING AGE	OLD WORKING AGE
BE	106.3	-22.2
NE	50.4	-46.08
DE	54.6	3.8
SE	15.71	-14.54
UK	55.6	-21.8

Note : Education expenditures have been excluded from these calculations since data for tertiary education are only available from 1995 onwards. Family allowances are included in 'working age benefits' (OLD 3), as is the case in the graphs.

Source : OECD SOCX and education data.

Percentage change of “normalized” spending ‘1985-1989’ vs. ‘2005-2007’

	family allowances	cash benefits working age	parental leave	elderly care	child care	ALMP
BE	-19.6	2.6	1.7	86.0	1.7	10.2
NE	-43.2	1.7	...	58.3	...	176.7
DE	24.3	-41.4	31.1	...	31.1	-47.7
SE	-15.9	-68.9	-37.4	56.4	-37.4	-82.2
UK	36.1	54.1	292.5	71.6	292.5	-22.1

Note: (*) DE 1993 = 100; NEW6: 1997=100, BE 1999=100

(**) OLD3 family allowances = (absolute public expenditure for OLD3 family allowances)/(population 0-18)*(GDP/capita); OLD3 cash benefits without family allowances = (absolute public expenditure for OLD3 cash benefits excluding family allowances)/(unemployed)*(GDP/capita); NEW1 = (absolute public expenditure for NEW1)/(population 18-64)*(GDP/capita); NEW2 = (absolute public expenditure for NEW2)/(65+)*(GDP/capita); NEW3 = (absolute public expenditure for NEW3)/(population <5)*(GDP/capita); NEW4 = (absolute public expenditure for NEW4)/(unemployed)*(GDP/capita); NEW5 = (absolute public expenditure for NEW5)/(population 5-19)*(GDP/capita); NEW6 = (absolute public expenditure for NEW6)/(people enrolled in tertiary education)*(GDP/capita)

Source: OECD SOCX, demography and education data; Eurostat, population data.

Conclusion (1)

1. Increased (normalised) welfare state effort (except SE)
2. Especially for new spending
3. In general, no resource competition

=> Welfare states started to work harder and differently

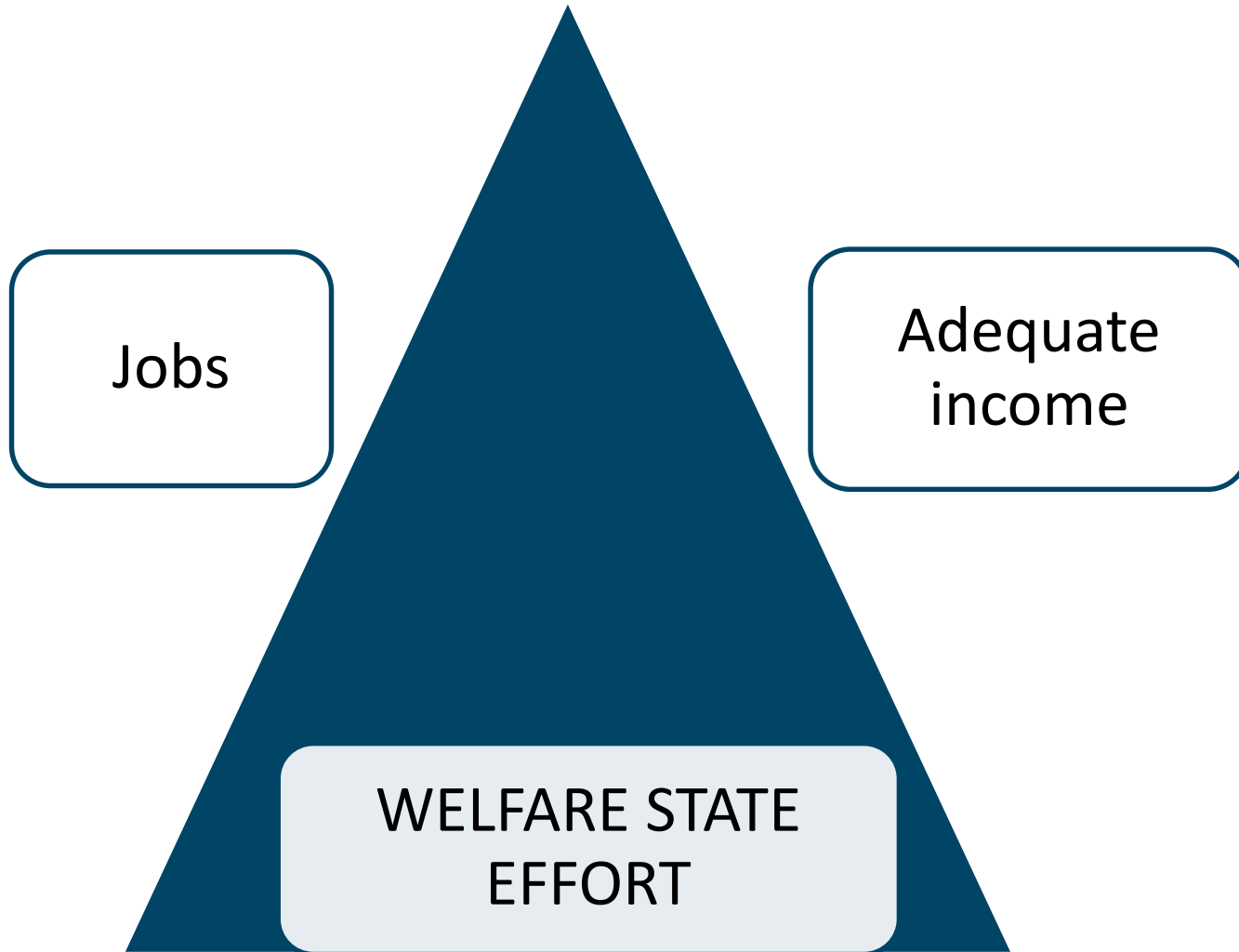
=> Non amenable to retrenchment ?

=> **And/Or the reflection of growing market and human needs**

Growing tensions at the bottom, in principle

- “**either** unskilled workers become unemployed **or** they see their real pay fall” (Atkinson, 2013) and, with them, the unemployed face declining benefit levels
- or** gross-to-net welfare state efforts should be increased

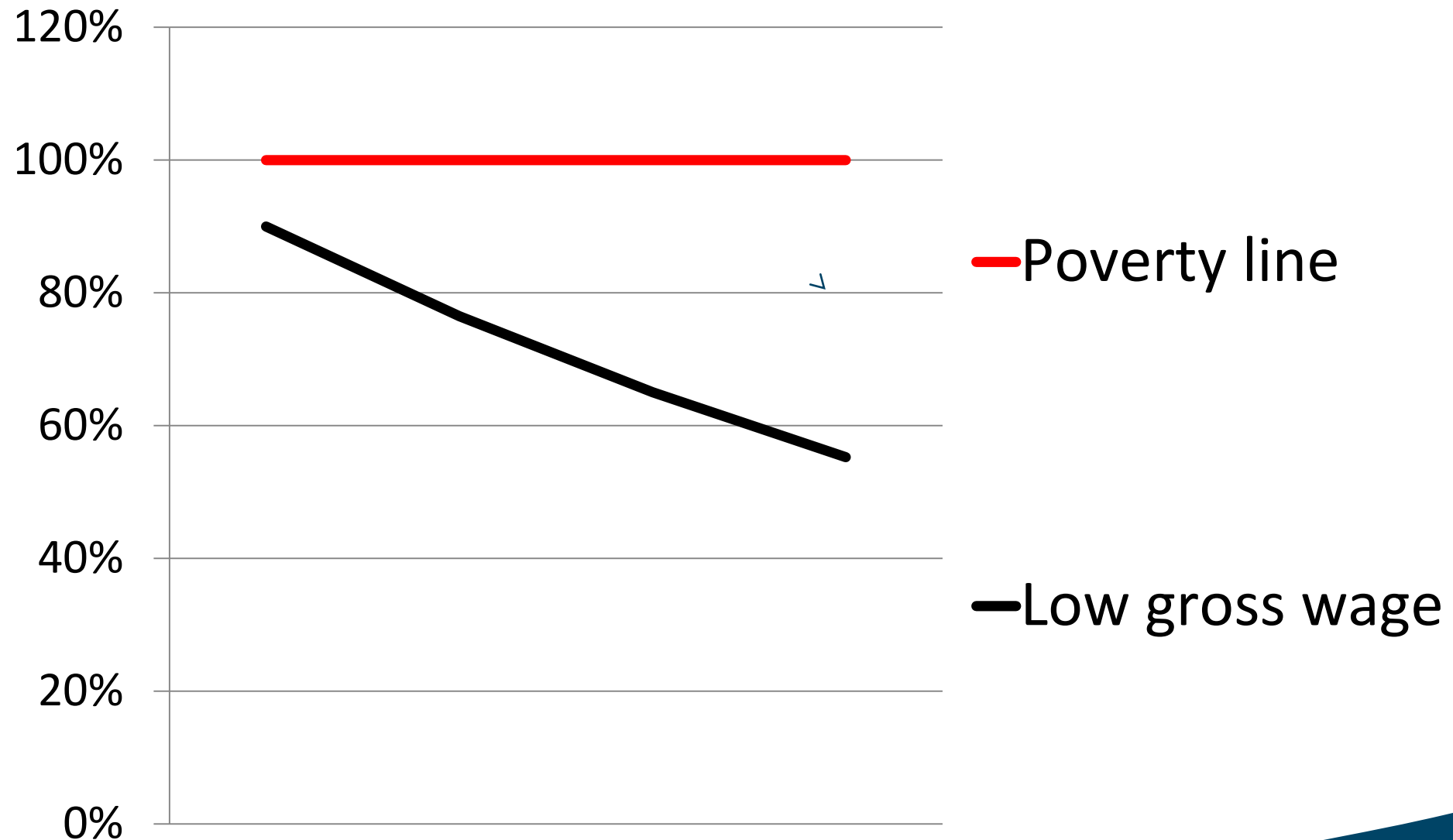
Trilemma



How did welfare states respond ?

The income side of the trilemma

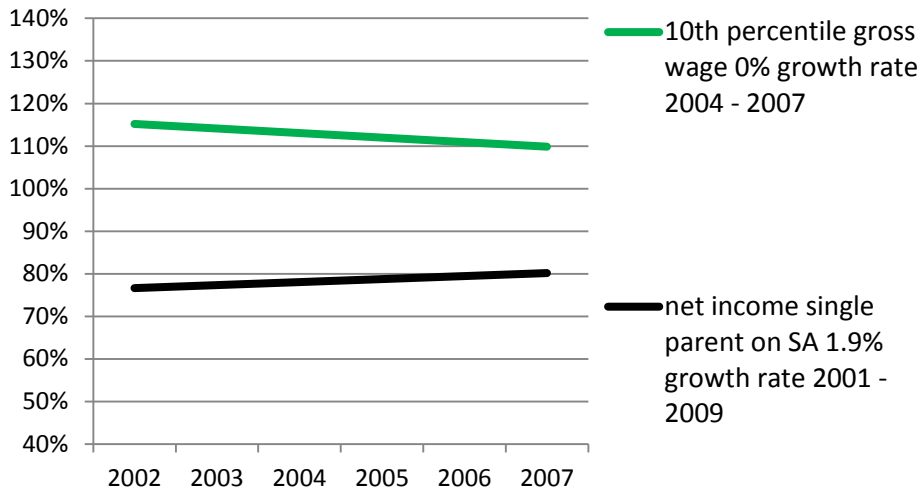
Low incomes sliding away from the middle ?



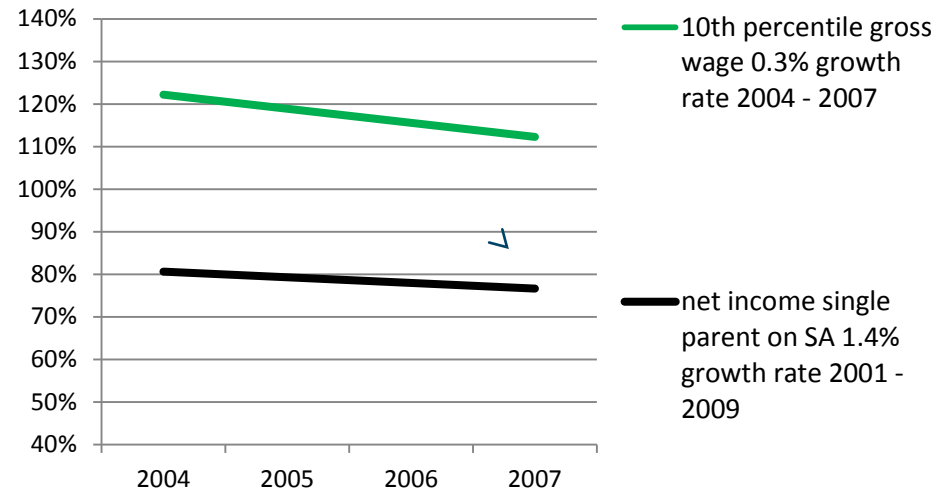
Source: based on Cantillon, Collado & Van Mechelen (2014)

The minimum floor as % of the poverty threshold

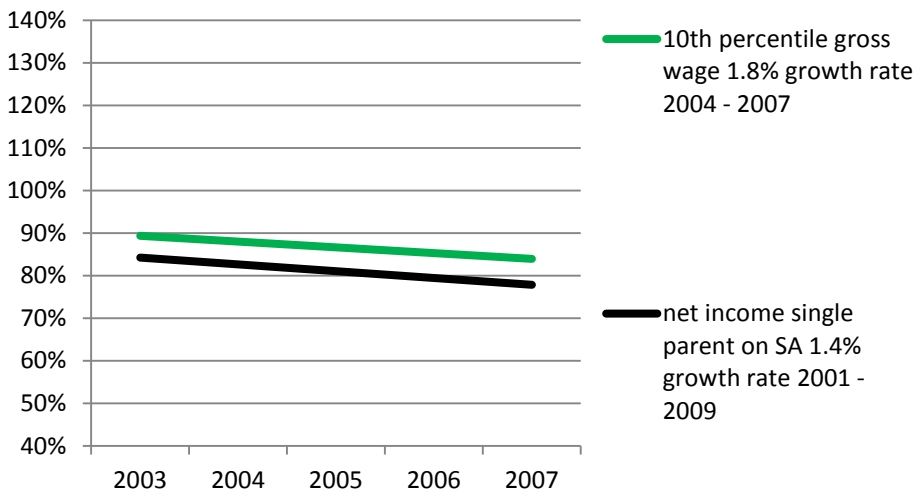
BE - 2000s



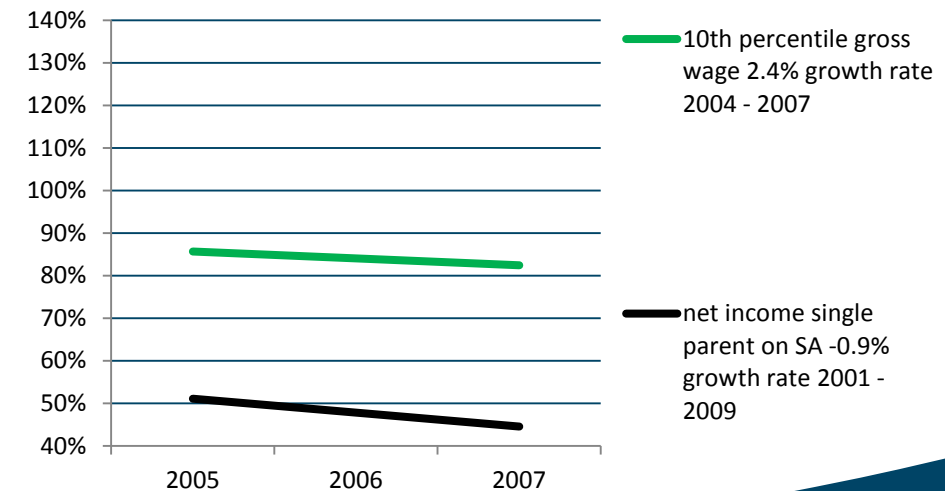
NL - 2000s



SE - 2000s



UK - 2000s



Source: based on Cantillon, Collado & Van Mechelen (2014)



Percentage change low wages and benefits 1995-2007

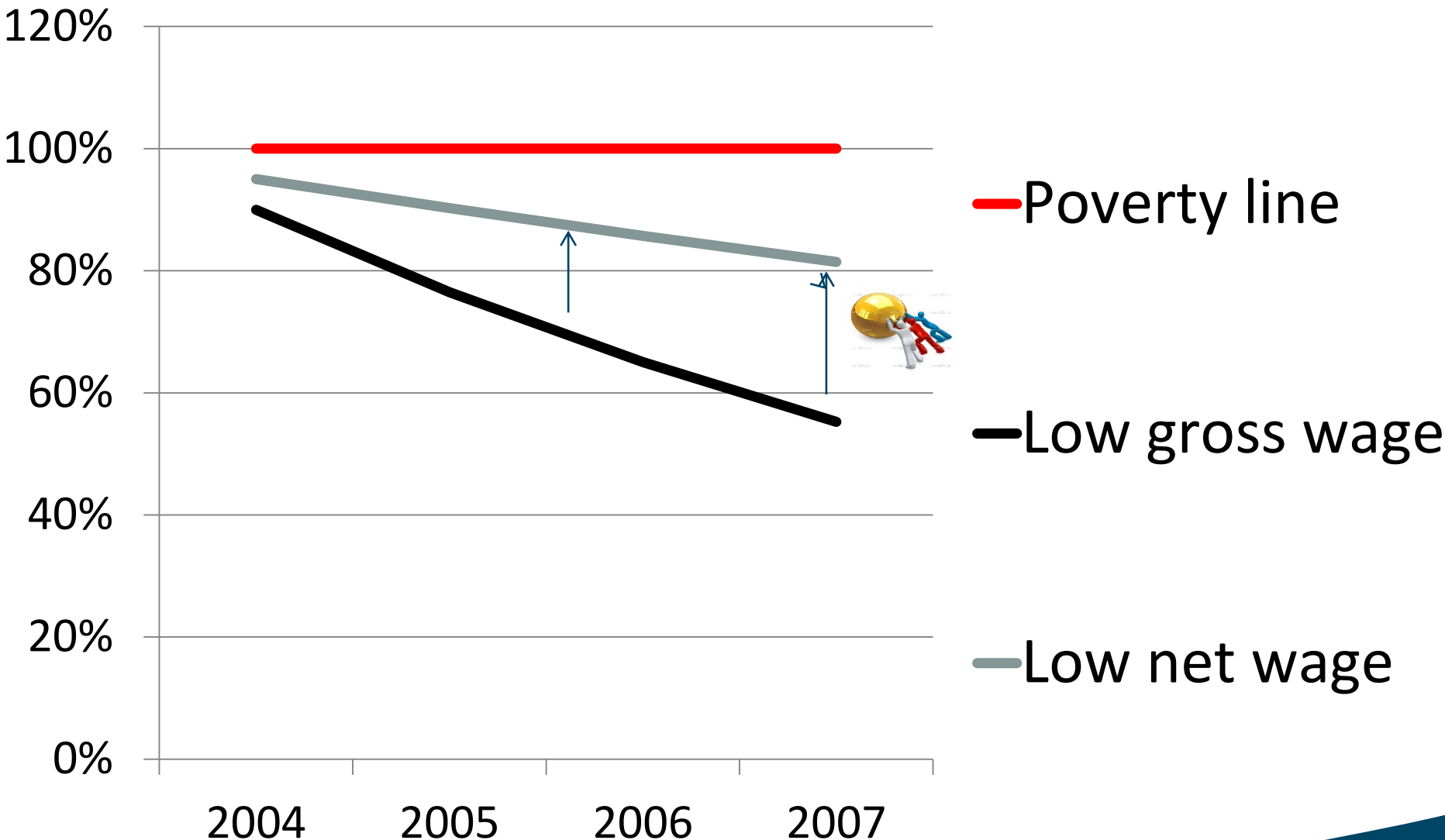
	BE	NL	SE
Average wage	13	8	36
Minimum Wage	1	3	30
Unemployment (short term, couple, 35y)	-16	2	28
Disability (short term, couple, 55y)	-2	/	11
Social assistance	6	-51	22

Source : Centre for Social Policy MIPI data

How did welfare states respond ?

The effort side of the trilemma

Increasing welfare state effort ?



Source: based on Cantillon, Collado & Van Mechelen (2014)

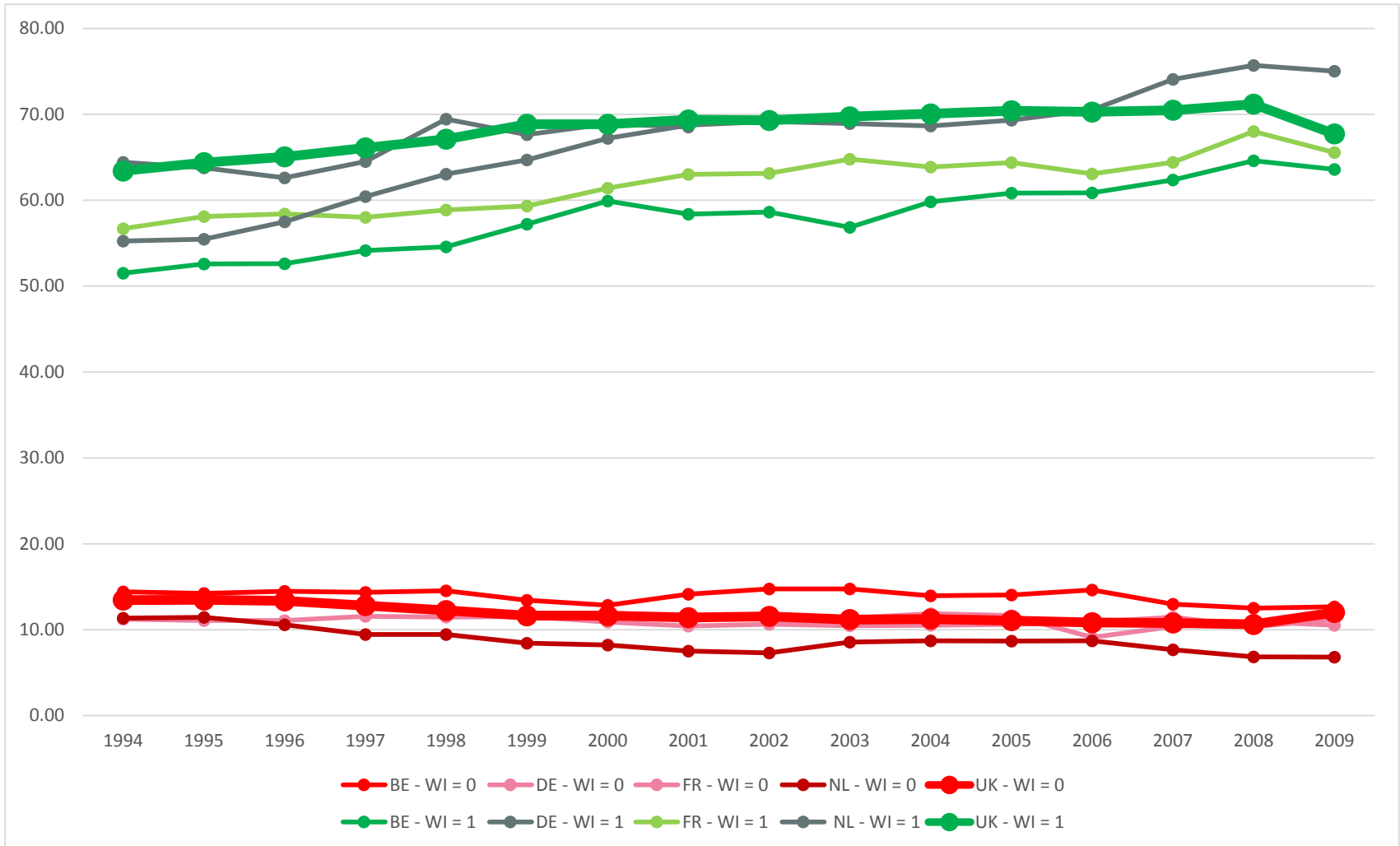
Gross-to-net effort , lone parent family with two children , minimum wage, 1992-2001

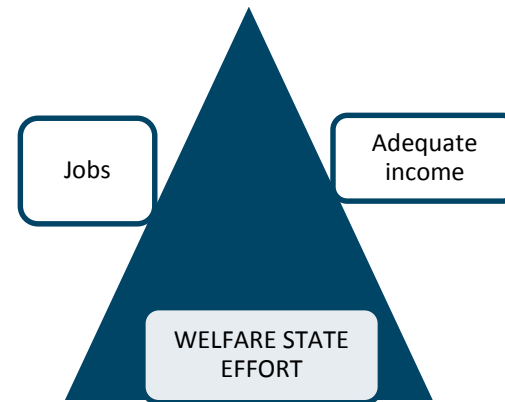
	Gross-to-net Effort
NL	+
DE	-
LU	+
BE	+
FR	=
AT	+

How did welfare states respond ?

The job side of the trilemma

Polarization : the proportion of work poor and work rich households , 1994 - 2009





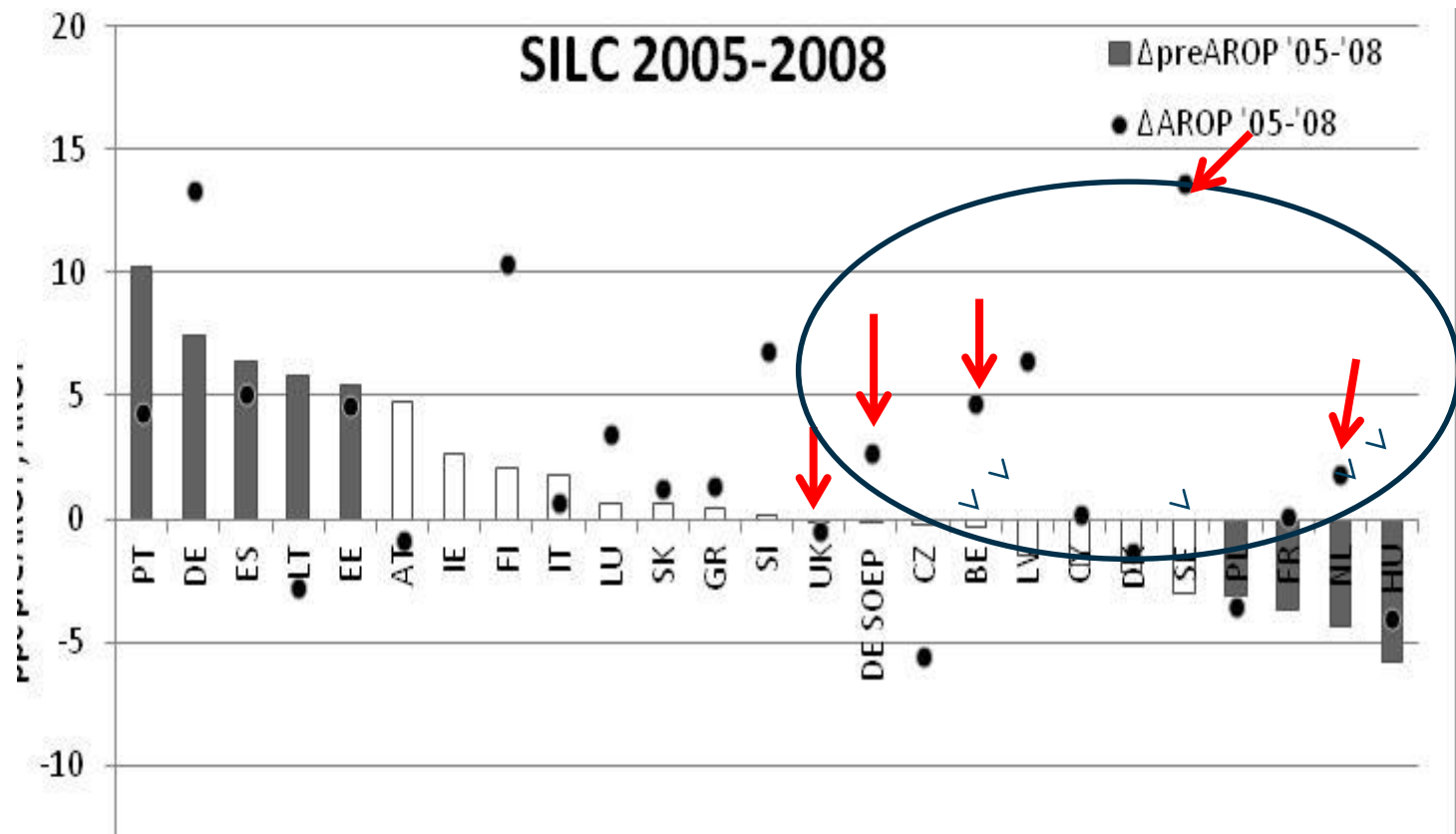
Conclusion (2)

1. Downward pressures on low wages & benefits for unemployed
2. Jobless households did benefit less from job growth
3. Most countries increased gross-to-net efforts



WS clearly struggling with the trilemma (e.g. tax credits & minimum wage in the UK)

Pp change at-risk-of-poverty , work poor households, active age population (20-59), work intensity < 0.5



B.Cantillon & F.Vandenbroucke, *Reconciling Work and Poverty Reduction*, Oxford University Press, 2015

Conclusion (3)

1. There is evidence for increasing symbiosis & tensions between the WS and the market, but this should be investigated more in depth
2. Although welfare states started to work differently and relatively harder, some (not all) became less performant for flourishing the lives of the most vulnerable
3. This deserves much more attention, in politics *and* in research
4. The integrated approach seems to be more appropriate than the 'new' focus on redistribution

