

FUTURE OF WELFARE STATE AND SOCIAL SECURITY

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INTRODUCTION

Social security is one of the largest achievements of the civilisation developed by human beings. It was established as an institution of the nation-state in the industrialisation era. The universal character of social security and the key role of the state to its implementation and development were the reason that a wider term was coined for it, viz. welfare state, which in the Polish language is called państwo opiekuńcze.

The welfare state is a major element of traditional nation-state. Both large social institutions of the last century, viz. nation-state and welfare state are subject to transformations. The nation-state at the background of globalisation and integration processes, while welfare state – additionally at the background of social modernisation and difficulties with addressing new social issues using the existing state intervention techniques. There has been a lot of criticism and questions concerning the welfare state. The voice of desperate defence of the welfare state in its current shape has been also heard.

The critics of welfare state raised various arguments. A basic argument that has been put forward since the end of seventies of the last century (the time of oil crisis) refers to the financial aspect. The welfare state became too expensive, since high costs imply higher taxes and contributions. As a result there is deteriorated allocation of the national product and undermining of the rationale for development at microeconomic level.

Another stream of criticism questions the sense of pursuing the social policy at the state level. In the environment of wide acceptance of the market-driven economy and predominance of individual freedom and respect for social preferences in the decision making processes market approach is postulated to the performance of some social functions as well as decentralised way of addressing social issues.

What arguments have been used to defend the welfare state? A fundamental argument boils down to still necessary collective responsibility for addressing many social issues. Contemporary societies are not free from social issues that cannot be solved neither individually, nor in the local structures of civic society or even at the regional level, not to mention global level. The new social issues are concerned with the threats brought by the ageing process of the societies, potentially and actually less and less constrained mobility of people, deficit of traditional jobs, persisting or mounting inequalities and financial crises. The level of the nation-state is in many cases the most suitable for taking initiatives and implementation of social schemes in response to new challenges. This does not imply, however, that previous institutional framework of welfare state fits fully for the performance of new tasks.

The acceptance of welfare state does not imply yet the acceptance of its existing formula. Criticism is targeted at its traditional priorities and operational rules. The faulty structure of social interventionism is raised both object-related (too little funds goes for support of social activity and services such as education and health care, and too much for cash benefits) and subject-related (too little funds for children and too much for the elderly). Certain ways of state social interventionism are regarded to be effective and equitable, and other forms on the contrary – are regarded to be wasteful. The purpose-specific benefits, targeted at specific categories and based on obligation are regarded to be more fair and effective than universal benefits.

This text is devoted to considerations about challenges that have to be met by the welfare state, and mainly the social security being its fundamental institution. These challenges universal by

nature, apply also to welfare states in other Western countries, but have their specific features related to the countries in transition that rebuilt their social security institutional framework, adapting it to the market-driven economy and represent constraints, seeking space for activity advantageous for modernisation and catching up with other EU countries they harmonise with.

The Polish welfare state faces additionally specific challenges connected with more backward structure of national economy (significant share of agriculture and traditional industrial sectors) and with social policies pursued to date, which despite changes in institutional framework, always protected social strata suffering from mass restructuring processes.

ARGUMENTS RAISED TO CRITICISE WELFARE STATE

Major argument raised to criticise welfare state applies to its high costs¹ and resultant negative impact on the economic growth, and consequently – social growth.

The high costs of welfare state, implying the wide scope of income redistribution, leads ruthlessly to the failure in world competition for distribution of fruits of economic activities. In the international economic race the states maintaining high taxes and contributions have inferior positions. In the European Union where welfare states, unlike other regions of the world, are the most developed, taxes and/or contributions are very high. On average they account for 42% GDP and have been swelling for a long time now. In 1980 this percentage share was five percent lower than currently. The highest burden is in the Nordic countries – above 50% (*nota bene* in Sweden in recent years these costs were slightly reduced), and for instance in the United Kingdom and Ireland – 35%. In USA these costs are significantly lower – 28.5% (according to OECD database). A necessity to maintain and/or win competitive edge in the global economy much more open than it used to be, forces lower income redistribution and smaller social expenditures.

The consequences of too large scale of income redistribution have double negative economic impact. Firstly – it tends to lead to the lack of economic equilibrium, which is manifested by high budgetary deficit. Difficulties with financing arise, public debt costs are mounting, which makes the cost of capital stay at a high level (or even the cost of capital goes up). Secondly – expensive welfare state creates negative incentives at microeconomic level. The enterprises pay high taxes /contributions and at the same time have more and more difficult access to capital.

Ralf Dahrendorf who grieves over the reduction of welfare state, since contemporary world is not free from social problems (disintegration and exclusion processes are growing), which should require both preventive actions and interventions from the state, claims at the same time that the direction for Asian solutions with minimum welfare state is inevitable (Dahrendorf 1997).

The critics of welfare state do not limit themselves to point out negative consequences in the economic area. They also prove that problems occur in the social area as well. The expanded social care of the state undermines the individual foresight and reduces the ability to adapt to tougher life conditions, which reduces savings and consequently – investments. People reckon that they do not have to save, since the state provides them with full security against almost each social risk one may encounter.

The expanded social policy, securing fully one's existence under the circumstances of a risk of disease and old age, also weakens social ties and reduces the role of family. Releasing family from the duties in this area, limits its care taking functions and the family as the main care taking institutions in such situation ceases to be

necessary. This, among others, reduces motivation for contracting marriage and having children. Consequently, it contributes to the progressing ageing process of societies.

NEW SOCIAL ISSUES OF POSTINDUSTRIAL ERA

The critics of welfare state put forward arguments that traditional institutions of welfare state do not respond to new social challenges, fail to account for new needs and ignore or disrespect the occurrence of new social issues. Meanwhile the post-industrial era comes along with social problems that are different from the workers' problems existing more than one hundred years ago when the welfare state was being born. The emergence of new social issues requires the shift in priorities in the area of spending public funds and change of target groups. However, this types of changes turn out to be very difficult.

Population Ageing

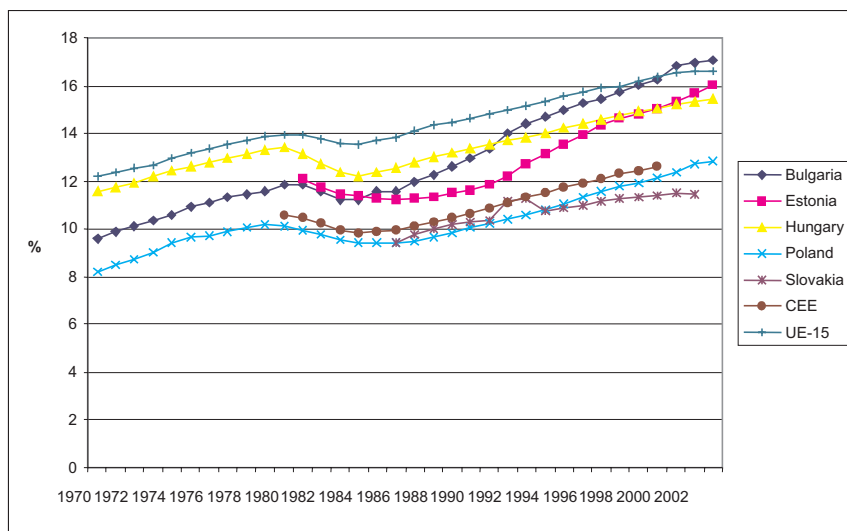
A major source of new needs and social problems are demographic changes characterised mainly by **ongoing process of population ageing**. Already in the seventies of the previous century Harold L. Wilensky (1975) confirmed the existence of very significant correlation between the average age of population and the scope of state social expenditures based on a wide range of statistical and comparative data.

The ageing process affects not only highly developed countries. It also affects the countries in transition and fast developing countries (sometimes called emerging markets). The graph below shows the growth rate of the share of people falling into 65 plus age category in the total population living in the old European Union Member States (EU-15), Central and Eastern European (CEE) countries and selected countries in the latter group. Amongst these countries the curve representing the share of the elderly in Bulgaria and Estonia and in recent years also in Poland is quickly going up. The high rate of population ageing in the countries in transition takes place at a much lower level of economic development and much worse health condition of the population than it was in the old EU-15.

The high rate of population ageing has exceptionally strong implications for the development of social security systems in the Central and Eastern Europe both in the categories of accession and candidate countries. These countries have relatively well developed pension security systems, however, to maintain them on the previous level in longer term will be rather difficult and the pressure will be mounting. At the same time the investments into health care are required, since the health care sector was clearly neglected in the previous years.

The ageing process exerts pressure on setting up new social security institutions and social service providers, for instance, on the development of long-term care and compulsory nursing insurance for the period of disabled old-age.

Figure 1. Share of people falling into 65 plus age category in the total population of old EU-15 and in Central and Eastern European countries



Source: Golinowska, Sowa, Topór-Mądry 2005 based on WHO data base.

Changes in Family Formation and Women Position

Another social sign of contemporary times – **is the mass presence of women in the labour market**. According to Thedy Skocpol (1992) the mass appearance of women-mothers in the labour market is one of major growth factors of contemporary welfare state. At the same time the feminist movement criticising the traditional model of welfare state under which the family is based on the earnings of working father (*breadwinner model*), puts forward numerous postulates referring to the equality in the labour market by sex profile and referring to the development of institutions enabling reconciliation of professional work with parenthood that should be incorporated into the contemporary social policy.

The feminist analyses raise not only the problem of women discrimination in the labour market, but also the problem of women dependence on the family members, since there is a lack of partnership in the family life. To a much smaller extent the educated and emancipated women take the risk of dependence on husband

and a threat of poverty if the relationship has collapsed. Entering into employment on equal footing with men in terms of earnings and burdening, women require partnership approach to childcare, full participation in child raising and taking joint efforts in running a household.

The maintenance of good position in labour market and high costs of childcare as well as bringing up and educating quality children changes the situation of families. To raise and to have a family becomes a tough challenge for each partner. Consequently **the family formation process** changes drastically: families are raised late, the fertility rate is also falling, non-typical relationships are proliferating, the number of singles is growing. The family ties are also weakening, which spells lonely old age, with institutional forms of nursing in case of disability.

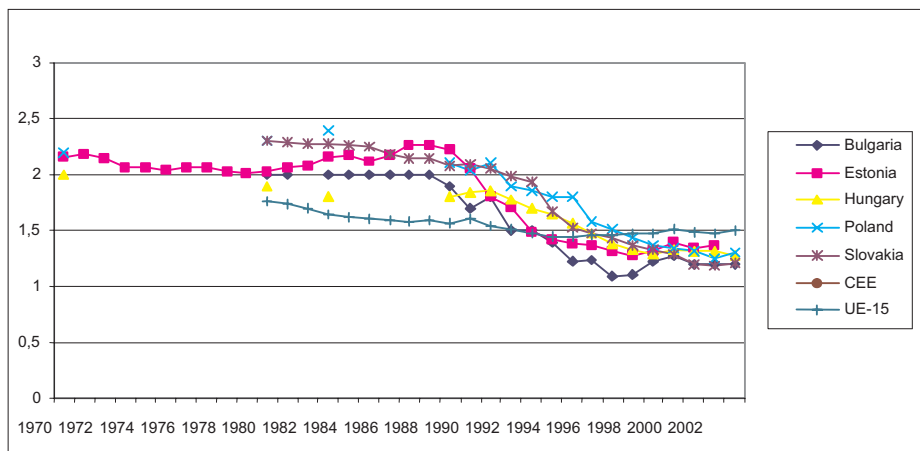
The change of family formation process occurred very intensely in the countries in transition. A synthetic index of these changes is very dynamic fall of total fertility rate (TFR). The graph

below shows that since mid 1990s in the Central and Eastern European countries the total fertility rates (TFRs) have been lower than average TFRs in the old EU-15.

In the CEE countries additional factor having impact on the declining total fertility rates is the attractive market of consumer goods and services that emerged in parallel to the market-

-driven economy. The centrally planned economy was the economy of shortages (Kornai 1985), and once it was over, a natural and at the same time excessive reaction (counteraction) is ostentatious consumerism, which is in clear conflict with a certain abandonment of consumption freedom in the procreation period.

Figure 2. Total Fertility Rates in old EU-15 and in the Central and Eastern European countries



Source: Golinowska, Sowa, Topór-Mądry 2005 based on WHO data base.

Changes in Employment and Unemployment

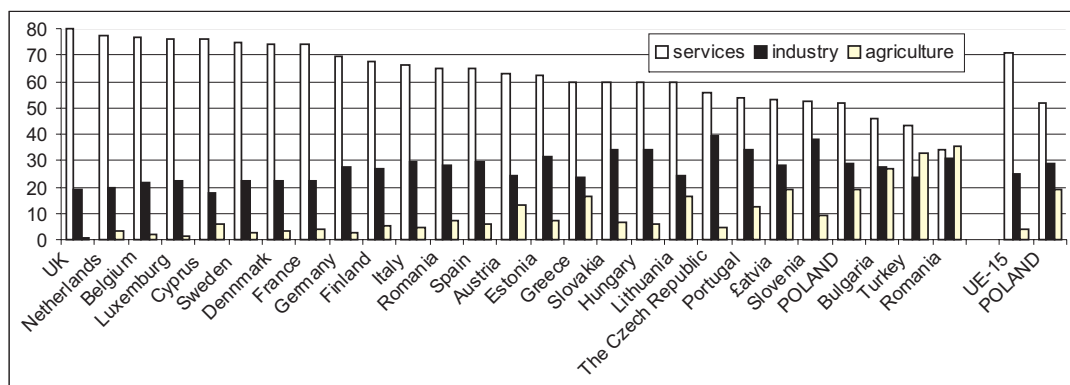
In the post-industrial era the major source of jobs is not industry any longer, nor the agricultural sector.

Gradual shrinking of employment in the 1st Section of economy (mainly in agriculture) in favour of growing employment in processing and service sectors has been taking place for a longer period of time in parallel to the economic growth and technical progress. Similar processes occur in the 2nd Section – in the industry. The period of so called scientific work organisation in the industry enhanced initially productivity, but also caused growing

employment. In recent years, due to automation, robotisation and IT implementation processes the situation changed drastically. The employment processes were curtailed, and more importantly – the employment structure changed. Primarily these jobs were reduced that required repetitive, straightforward actions and relatively low qualifications.

The employment of specialists from various fields started to grow and these specialists are not always employed on a full-time or part-time basis with the employer. Consequently, the industry currently employs from 20% to 30% of total workforce with clear declining trend.

Figure 3. Share of employment in three major sectors of economy – EU Member States



Source: Eurostat 2004.

The total employment growth has occurred for quite a long time now in 3rd Section of economy i.e. Services. The IT implementation processes also here boosted productivity and consequently the employment reduction in many service categories. However, not employment decline has been recorded in such service sector segments as health care, tourism, education or social care and public administration.

As a result of changes in economic and employment structures, when the average productivity is still growing, work nature and organisation are subject to drastic changes. There is a decline in demand for work in previous form and labour market is undergoing segmentation process. Consequently the unemployment still represents a threat.

Nowadays the unemployment is, however, different that one hundred years ago: it is less driven by economic boom or slump but is more structural by nature, but still is painful for the jobless. Furthermore, the work becomes more and more diversified: good and giving people a lot of satisfaction, but sometimes happens to be mediocre performed in black market, or against human dignity. **The problem of good work for everybody will be perhaps the most dramatic future challenge.**

High pace of technological, technical and organisational progress is the reason why in the life of one generation it is necessary to change not only the manner of performing the existing occupation, but also to change one's occupation two or three times. To retain one's job the continuous education is not enough,

breaks in work are necessary to acquire new qualifications. Work changes refer to work organisation during daytime, week and month and during the overall lifetime. In the latter case it is driven by more and more frequent breaks in work due to a more and more clear necessity of continuous education and frequent change of qualifications.

Poverty and Social Exclusion

Poverty and social exclusion – are phenomena widely present in the contemporary world also in the highly developed countries. They come together with uneven economic growth and/or absence of efficiency of social policy attempting to combat it. Numerous research and state statistics confirm that poverty exists in most countries and for many years has been systematically growing, while the social exclusion phenomenon becomes permanent. No wonder that at UN summit in the year 2000 a global initiative called "Millennium Development Goals" (MDG) was taken, aiming at primarily at uprooting of extreme poverty.

The poverty and social exclusion have not only social but also political dimension. The poor and the more marginalised in the society, do not represent strong and organised electorate. Rather stronger groups that will try to win power thanks to populist slogans in order to secure the meeting of their interests, sometimes concealed skilfully, will use the poverty threat. Poorly organised poor people are not able to account for the deeds of the politicians elected by them that may still go unpunished using populist slogans for winning political capital². This drawback of contemporary democracy may, to a large extent, reduce the role of experts' opinions and growing professionalism in the public debate on social issues. Quite significant is also the widening of knowledge of the people threatened by the poverty and the poor about their rights and authorisations.

In the European Strategy for Combating Poverty and Social Exclusion the social exclusion phenomenon is emphasised not as a new social issue but rather its particular threat to the democratic development. The problem refers to the exclusion at the background of migratory processes. The life shows that the immigrants even if they have obtained good position in the labour market and full and complete rights to social benefits of their destination country, frequently they do not assimilate culturally with the society. They create their own ghetto, „parallel communities". On the one hand this breeds xenophobia and political radicalism, and on the other hand – frustrations, which is the source of concerns of the elites governing the Western world, the more that it suffers from conceptual dilemma between the rights to cherish the national identity of the immigrants and a need of full integration (or even assimilation) in the recipient country. The absence of policy oriented at the integration of immigrants and also failures in the areas where such policy was pursued, are the reasons of real threats to achieved social and political order in the recipient countries. The new EU Member States have joined this group. The immigrants fill in various niches in the labour market that are not attractive enough for domestic workers, with their employment costs at a much lower level. Demand for work of foreigners is also present in the countries with high unemployment rates e.g. in Poland (Golinowska 2004).

REFORMS OF WELFARE STATE

In reply to the criticism of welfare state and to face the challenge of addressing new social issues, numerous reforms are taken. These are the reforms with a different direction than that in the first quarter of the century after World War II. Then the expansion of social schemes was predominant, and they were mainly realised under the social insurance systems (growing contributions to new schemes or old ones covering more entities – Pierson 1996). The end of 1970s saw the stop of expansion and in some

cases – retreat. Such terms as welfare state crisis, retrenchment, restructuring and decline could be heard.

The halting of the welfare state expansion and its retrenchment is a slow process. More can be read about it³ than proved with the statistical facts. Welfare state expenditures are rather still growing. Meanwhile numerous reforms of institutional framework are taken. This implies in particular the social security and health care. The reforms aim at both enhancement of social effectiveness and at achieving cost efficiency for the schemes under implementation and for the social interventions taken. The implementation of new institutions and methods is sometimes costly but effects can be expected in long-term.

The changes made in the designs of national welfare states are not uniform, since the welfare state regimes vary from one case to another. It depends, to a large extent, on the economic and demographic situation in a certain country, but also on the political culture as it is emphasised by John Rodger (2000).

Given the retreat the welfare state ceases to be a helpful tool for the politicians in the pursue of their political goals. Consequently it hampers its violent changes. The "reforms" taken in the social sphere are not radical; they are marginal by nature and one could say that these are cosmetic changes. It is not possible to implement them mainly due to too high political cost. The policy of retrenching the state social functions, the most unequivocally implemented in USA and the United Kingdom in the times of Reagan- and Thatcher-led governments, changes only to a slight extent traditional social security institutions in these countries, whereas in other countries it initiated rather a debate and gradual implementation of changes curtailing the state responsibility, but rather in a narrow range and spread over a long period of time.

Generally speaking the taken reforms of welfare state can be divided into three groups: aimed at shifting responsibility: decentralisation, commercialisation and privatisation (1), aimed at the shift of existing priorities (2) and aimed at the improvement of a bag of tools for pursuing social policy (3).

Shifting of Responsibility

For more than 100 years the State has undoubtedly been the major actor in the social policy area. Initially the partners of State included employers, whereas the role of a catalyst and censor was played by the trade unions. The employers performed various social functions for their staff (company pensions, company-owned housing units and plant health care), though social functions of working establishments were not a rule. With time, however, these functions became more and more standardised and widespread. After all the state created all effective social regulations and launched their enforcement.

The contemporary state distances itself from such activities. More and more frequently the state delegates social policy tasks to other actors: social organisations and local communities, and also privatises some of these institutions. This trend does not imply getting rid of social functions by the state. The delegation of certain tasks to other entities is rather the expression of pragmatism, strife for higher social efficiency rather than it is the negation of social functions of the state (Barr 1994). The reduction of the state social functions is justified whenever other institutions will perform better the social tasks than state institutions.

The incentivising of social organisations to become more active and the local governments to perform social tasks is confirmed by unreliability of the state that taking bureaucratic measures turns out to be not only less effective, but additionally weakens the society depriving it of its initiative and power to overcome crises.

Generally, however, the retreat trend implies rather that the state delegates certain social functions and acts jointly with the entities taking over the tasks that were previously performed by the state. Thus institutional partnership is established. This process is not free from hardships and conflicts (periodic retreats may happen

– recentralisation), but gradually the system becomes more and more effective.

Privatisation of Responsibility and Commercialisation

The process of delegating state social functions to other entities that has been present for, at least, two decades, has also another dimension, viz. enhancement of individual responsibility and commercial operations of public service providers. The "responsibility is privatised", as it was put by John Rodger when he was writing what indeed determines the current transformations in the social policy (Rodger 2000).

The responsibility privatisation trend does not have to imply exclusively individual care for meeting needs and purely market-based way of addressing social issues. It is not feasible, since market is a mechanism that is considerably unreliable in the significant area of social sphere⁴.

Then, what does privatisation of responsibility for addressing social issues mean in the contemporary world?

The privatisation of responsibility implies primarily departure from universal solutions designed for all members of the society and excluding more affluent categories from the widely sweeping social security schemes. This is done using targeting technique. The social policy becomes a policy for non-affluent categories and categories of special social risk. However, the policy of this kind, despite being obviously reasonable, as it seems, leads to social effects perceived as a threat to democratic social order that formed after World War II. Such policy fosters stigmatisation and undermines beneficiaries and thus contributes to social disintegration and consequently it represents a threat to democracy.

Another type of privatisation in the social sphere boiled down to transferring to the market some social functions that are satisfied by more luxurious goods, since more luxurious goods are used (or should be used) primarily by more well off social categories. In practice the individual spheres of social services are divided into various standard categories and the so-called basic standard is left in the public sphere whereas the production of goods above the standard is placed in the marketplace. This arrangement is the most clear in the health care area where the so called basket of basic services is defined that is left in the public sphere and the basket of above the standard services for which additional insurance is organised. In the field of education the higher education is commercialised, since the students come predominantly from affluent families, whereas poorer students can be supported by a scholarship system. Such approach that can be easily theoretically supported is in practice so difficult that it discourages from taking an effort to build various standards. The drawing of borderlines between standards comes across significant criteria-related hardships, and settlements last for years and years. Additionally, when such standards are already operational, the borderlines are easily trespassed and the commercial sector frequently rejects inferior risks or parasites on the public sector. Despite these hardships in some countries efforts were taken to define public basic standards in the social services⁵. The scope varies from one case to another. It depends not only on the level of prosperity in a certain country, but also on the acceptance of social values and institutional tradition.

The third direction of the processes discussed here boils down to the embedding the so-called internal market in the public sector. It implies the commercialisation of social service providers despite their financing from public funds. What phenomenon occurred here? The providers would commence operations as for-profit organisations and given the limited competition and the demand for services moulded in the environment of information asymmetry and agency relationships, which is typical for social services, costs were swelling and claims were raised against public funds. The internal market delighted professionals in the area of social services, since their salaries acquired market value,

but terrified policy makers, since their capabilities of cost control in the autonomous market or quasi-market sector were very limited. Consequently the state started to withdraw from the internal market type of solutions, which is worthwhile studying on the example of the British health care system.

Hardships and failures in the process of privatising responsibility and commercialisation of social services do not negate the need of introducing this direction in the social sphere. However, a lesson should be drawn that this direction requires control and the application of much more sophisticated regulatory tools at the supply side than it was done to date. The regulated market, as the name suggests, is not an ordinary market that operates effectively when market players have freedom and the number of external regulations is as little as possible. In the social sphere the market is an unreliable regulator, but applied to a limited extent and with the use of certain regulatory instruments allows for elimination of defects and socially effective allocation. However, this type of regulation is much more difficult than the management of state production, which was underestimated. It was rather thought that the regulated market is still a market and it requires less control. Consequently the effects of implementation of regulated market are not viewed positively.

The reforms under the label of privatisation of responsibility and commercialisation brought about smaller effects than expected. It turned out that the effective solutions require sophisticated regulations and high transactional costs. Not all countries cope with this requirement well. Also here a prerequisite of good governance was put forward.

Decentralisation

Decentralisation is the second after commercialisation trend and at the same time strategy for retrenchment of welfare state. Despite larger scale of decentralisation of the government administration in Western countries also there a reform was taken with the aim to decentralise the social service sector. The reform is carried out using such slogans as removal of red tape, deregulation, democratisation, participation and self-government (Olsson 1993).

Decentralisation is primarily politically significant. The positive effects of decentralised political systems operating in democracies represent an unquestionable model to be followed. To the decentralisation process hope is attached for more efficient governance by bringing power closer to local communities, enhancement of social control over political elites and public centres as well as allocation decisions.

The analysis of decentralisation processes from the historical and comparative perspective shows that their benefits are not always obvious. Additionally the benefits come up to the surface in longer term and require a lot of additional conditions. The are conditioned both by the quality of governance and the communities under governance.

Paradoxically enough in the correctly run decentralisation process the government has to pay more attention to what is happening at local government levels than at the central level. Therefore the government must have high qualifications, stable and prepared in advance regulations on the finances at lower levels, efficient administration using tools for controlling allocation processes in the direction meeting higher growth efficiency criteria (Hommes 1995), for running specialist monitoring and control activities. The research in the countries that implemented the decentralisation reforms after a century of having centralised systems in place, mainly in Latin America countries, shows that the danger of lower government levels becoming clientele of the central government and specific recentralisation only one level lower are not purely theoretical (Peterson 1994).

The second category of prerequisites for good decentralisation is connected with the qualitative features of the society. The modernised societies, more affluent and better educated are more

interested in taking decisions about themselves in a wide spectrum of matters, and they are also able to better organise appropriate institutional structures vital to attain their goals. The decentralisation process in such societies develops in civic communities that are instrumental to taking initiatives for the common good, and the execution of such initiatives is based on mutual trust and feeling of responsibility.

Putnam who revised the opinions and theories about the efficiency of the democratic institutions while carrying out empirical studies on the Italian institutions with civic community nature confirms the thesis that the decentralisation process is more beneficial where there is a tradition of self-government and public participation, and in those countries where tradition is based on long-term dependency of hierarchical central administration, the decentralisation process may sometimes result in caricatured not to say pathological forms (Putnam 1995). This does not imply, however, that decentralisation reforms are redundant. However, they require a lot of deliberation, regulatory framework favourable to the establishment of civic institutions and patience. In one of OECD documents it is said that in the contemporary states one deals with the management of freedom and autonomy, which is necessary and at the same time much more difficult than the direct management (OECD 1996).

Joint Actions with NGOs

The civic society organisations, covering with their scope of activities also social matters, were in the Western democracies the structures existing independently from state or pseudo-state institutions. They were also pursuing their own goals based on their private funds. This operational model of these institutions called non-governmental organisations changed fundamentally at the end of 20th century. Given the wave of retreating from welfare state an idea was born to delegate social functions of the state to the non-government institutions by means of signing appropriate contract with them. Two major arguments were speaking in favour of such solution. The first argument – economic by nature, pertained to the fact that social organisations will perform the entrusted functions more cheaply due to lower operating costs (less bureaucracy, cheaper labour). The second argument – referring to subject matter, pertained to the fact that social organisations being closer to the society know better the social issues of a certain community and thus are able to take more appropriate measures and spend funds more effectively.

The social organisations were supposed to become a partner of the state in addressing the social issues. After years of activities in pluralistic institutional framework critical analyses of the partnership between state and NGOs were drawn up. According to Whelan social organisations competing for state funds for performance of delegated tasks ceased to be an independent partner. They became the client of the state, sometimes even a supplicant (Whelan 1996).

What should the partnership of the state and social organisations be like so that social issues could be identified and addressed more effectively? In the literature the Danish model is given as an example of good practice (Cox 1993). In the Danish example the state not only co-operates well with NGOs, but also stimulates the process of establishing NGOs and encourages associating.

The problem of the contemporary, postmodernist world is the weakening of community life, also the weakening of social capital. Putnam calls it metaphorically solitary bowling game (Putnam 2000). More and more people live single, if not always, then during a significant part of their lives. Television, home theatre and Internet that additionally provides fast, though virtual contact with others consume free time. The sphere of interests is growing that do not fall into the previous circles of contacts.

Traditional social organisations oriented at local social problems in local structures are not fascinating when compete with global

affairs and attractive celebrities from the big world that is within easy reach, which is an illusion created by media. It is only enough to call, check in, send an e-mail. No wonder that in response to the development of less involved type of relations between people, a tedious work of rebuilding and building social capital in real social communities was commenced by means of relevant educational programmes, promotions of social work and financial incentives aimed at raising activities of the social organisations. The state in this process is very active and its activities are subject to social control. Thus, the active society is not exclusively the product of bottom-up and long process of changes, but also ongoing impact of state regulations that encourages, provokes and awards the activity.

Change of Existing Priorities

Work Support

One of fundamental state functions, emphasised particularly strong in contemporary debate, is the support to human capital creation. This objective is also treated as economic objective. The gist is to lay foundations for development; creating environment for universal investments into human being (exerting influence on demographic growth and securing access to education and training), for innovation (scientific research), for health lifestyle (public health and environmental protection), for respect for cultural heritage and development of creation. One could enumerate here other spheres of state responsibility, not always categorised as social ones, but very essential from social perspective – development of infrastructure, acting as a catalyst for creation of civic organisations, building of democracy.

While for the mentioned functions there is rather consent that the state plays here a fundamental role, controversies arise in the case of job creation function. The criticism of welfare state was primarily connected with the negation of the value of full employment. It was decided that it is not possible to achieve microeconomic efficiency without liberal labour market. The policy of full employment was abandoned, which was pursued much easier in the environment of high economic growth than at present in the low economic growth environment. The labour market started to liberalise itself to a certain extent, but in the Western Europe the liberalisation process did not go too far. The freedom of employers is still limited by expanded system of individual and collective labour law defended by the trade unions. The dialogue of social partners as a basic instrument of balancing the interests of the participants of labour market does not always act in favour of bigger openness of labour market. A fundamental problem of the European labour market became its closure for the new entrants, especially young people.

Despite the fact that contemporary state in the market economy did not assume the responsibility for full employment, it commenced to apply numerous instruments supporting labour and combating unemployment. The concepts representing the foundations for these activities of the state start to form a certain social **philosophy termed philosophy of Workfare State as opposed to the Welfare State concept**. The workfare state concept – it is more operational concept than work concept in the Polish meaning of the word⁶. It was born as a response to the retrenchment of welfare state⁷. Since the social benefits become less accessible and chances to live one's life based on the proceedings from benefits are slimmer and slimmer, then a question arises about higher chances to generate income from work by the persons who have experienced serious difficulties with anchoring themselves in the labour market.

Traditionally built social security based on the taxation of labour costs and with high commitment of the state to setting up compulsory social insurance is subject to revision that is justified by **recognition of work priority** (tax and contribution burdening

hampers job creation) **vis-à-vis social security**. Given the conflict emerging more and more clearly between the two objectives – job creation and maintenance of social security, solutions leading to compromise are sought and promoted. Therefore one does not mean here the general deconstruction of social state on the grounds that the individual prudence (when one has got a job) is a solution to the problem as sometimes social reforms are interpreted. The contemporary labour market is characterised by dualism and in some cases it contributes to social exclusion rather than social inclusion.

The debate on labour and welfare state is meant to strike a compromise between large scope of compulsory redistribution to meet social goals and smaller scope and reoriented structure of social goals; more funds to foster capacity to work (education, rehabilitation) in the environment of dynamic changes of labour process.

There are various approaches to work. With a certain simplification one may indicate two approaches. First approach is American with a small direct support, is characterised by a large freedom of setting up businesses, employment flexibility and very much diversified terms of employment in terms of remuneration and employee matters. As a result of this approach work is more accessible (low unemployment rate), employees more mobile, but work standards may be very demanding, whereas labour relations do not guarantee good well being not to mention dignity. The second approach is European and is characterised by good terms of employment and labour relations and high salaries for qualified and efficient staff. The social categories that find it hard to find employment and will lower qualification and efficiency (with the so called low employability) if they cannot survive in the open labour market, then the use various forms of support to labour market. If they do not enter into employment, then they enjoy comprehensive range of social benefits.

In Western Europe a decision was taken to change the previous labour policy. This change was programmed in the European Employment Strategy, and then in the Social Agenda 2000. The EU Member States are incentivised to pursue such labour market policy to increase access to employment to everybody, including those having hardship in finding employment, less efficient, with lower qualifications, with less experience, the disabled, the discriminated. This shift in the European Union policy has two aspects. One of them is economic and refers to the high costs of supporting the unemployed, requiring ever-mounting redistribution of income to their benefit, which undermines the competitive edge of the economy. Instead of paying benefits to them it will be cheaper to create jobs for them, even with smaller efficiency and requiring subsidies. The second aspect is political and refers to the concern about democracy. The social categories excluded from the employment system, earning their income in the shadow economy, at the edge of institutional lawfulness, or in the parallel communities are more vulnerable to manipulations of extreme political options. They are less informed, show smaller social commitment and frequently totally from the mainstream of social life.

Supporting Young Generation

Debate about the issue of ageing population in Europe drew attention not only to the growing needs of the elderly that will require support from the state (stable pension system, available health and nursing care), but also to the burdening of the younger generation whose share is declining systematically. Therefore, in many European countries measures are taken, on the one hand, to provide incentives to people to increase total fertility rate, and on the other hand – to support young generation in reaching high level of human capital and access to labour market. The policy towards this direction does not find coherent theoretical foundations. In the area there are numerous influences of contradictory social doctrines: conservative and liberal under which the approach to

women, children, youth and family still varies a great deal and prevents agreements and settlements. Consequently in majority of European countries there is no family policy, and policy on children and the youth is pursued, as a rule, within the framework of educational policy.

The concept of coherent family policy paves the way very slowly. Such policy would combine motivation to achieve higher total fertility rates, strife for obtaining equal status between women and men and support to reconciliation of family and occupational matters. Additionally such family policy should support the strives of family to raise capital of human descendants through providing access to quality education and through building good condition and health of young generation.

Fighting Social Exclusion

The strategy fighting poverty that is, as a rule, perceived as the lack of income to satisfy bare necessities of life, was widened to include^a social exclusion fighting strategy. The poverty and social exclusion – these are not synonyms, though both categories overlap; they contain single common area (poverty is the major driver of exclusion) and separate area. The poor do not have to be excluded from the mainstream of social life, and the excluded persons do not have to be poor.

The shift of social strategy towards fighting social exclusion contains political concern about democracy. The inclusion (social integration and reintegration) is supposed to serve social cohesion. The concept of inclusion covers the following areas: (1) measures taken to improve access to financial resources and equal rights (2) securing access to education and work (3) counteracting the exclusion risk and (4) assistance to the weakest social categories the most vulnerable to exclusion. The social inclusion strategy is targeted at the actors from the spheres of politics, economy and social policy. The strategy can be only implemented if there is commitment of political parties, central and local governments, international organisations and social organisations.

The social inclusion strategy comes hand in hand with the strategy supporting employment. Numerous studies provide evidence that new poverty and social exclusion is a result of changes in economic structure and labour market. Consequently, the changes of structure of demand for work and changes of work nature are the source of contemporary social issues.

More Effective Social Policy

The debate and measures aimed at the increase of social policy effectiveness refer to a few plots. Here one can distinguish such effectiveness-related slogans and measures as e.g. accuracy, effectiveness, rationing...

In quest of more effective social policy focus is primarily on accuracy. The operational experience related to welfare state showed that the social benefits are also enjoyed by the affluent people, and sometimes are enjoyed more by the affluent than by the poor. In the area of social assistance, family and housing benefits this is prevented by the application of income test that allows to offer benefits only to the poor. Selective benefits require wider information that has to reach potential addressees. Sometimes motivation for appropriate activity is needed: advice on eligibility rights and persuasion to take actions. The policy termed empowerment in the social exclusion community is not only a curious thing originating from the affluent world.

The implementation of income test is not always feasible, but advisable. This applies in particular to such social services as education and health care. Consequently if we take free higher level education the benefits will be enjoyed on a much bigger scale by the children from more affluent homes, where educational aspirations are higher and preparation for education – better. The universal benefits have, however, their advantages visible at the

lower level of development. They support social integration and do not require expanded administration (Blakemore 2003, p. 64).

The requirements about the effectiveness of social policy are the reason why more attention is paid to the effects of provided benefits. They are monitored and evaluated. The aggregate consequence is the high cost of these actions. During the implementation of large social programmes monitoring and evaluation became an effective standard.

In the social policy rationing started to be used. When it is not possible to determine the beneficiary-related criteria for provision of benefits, then object-related rationing is introduced. An example of rationing approach is the basket of guaranteed benefits in the health care sector where, at least, at once two categories of criteria are used for rationing: medical efficiency and cost efficiency.

The running of social policy is not any longer based on straightforward redistribution decisions (how and whom should be taxed and who and how much should be given in terms of benefits) that are, in fact, political by nature. Contemporary social policy more and more often requires a proof of positive impact on the beneficiary and the society. If there is no positive impact not only undesirable costs are generated but the opposite effect appears: no motivation to be active and independent.

CHANGE OF THE SOCIAL SECURITY CONCEPT

The change of nature of work and difficult labour market and also growing competition at the background globalisation process – are two major reasons that put on the agenda the issue of limiting the scope and change of the ways of financing social security system.

The retrenchment of the scope of social security is an objective very difficult to attain politically. This is not only due to social resistance at the national level, but also due to taking certain commitments vis-à-vis international organisations guarding the compliance with social rights. According to the requirements of the Convention No 102 of the International Labour Organisation on the minimum social security standards indicate limitation of space for possible changes. Pursuant to the Convention the State bears overall responsibility not only for provision of benefits in compliance with Convention's requirements, but also for the provision of necessary funds and securing that the social security institutions are managed effectively. At the same time the Convention, however, interferes neither in the type of the system providing benefits (insurance or supply system), nor in the way of its funding, nor in the way it is organised provided that basic requirements of the commitment signed by Poland have been met (Hagemejer 2005).

Therefore the main direction of changes in the social security sphere, expressed explicit verbis, pertains to the funding methods. On the one hand the change of funding methods is supposed to reduce financial burdens having direct impact on the capacity to create new jobs. On the other hand to increase individual prudence so that in the environment of growing social needs against ageing population, not to raise any more the social security costs.

The countries of continental Europe where the core of social security are social insurance systems (Bismarck model), funded with the contributions posted directly into labour costs, seek feverishly ways to reduce these costs. The most popular approach is to move part of the benefits for funding from taxes (state budget), especially those benefits that do not have much in common with the presence of social risk.

Classical social insurance is based on the equivalence principle [in Germany the *Leistung gegen Leistung* (benefit for benefit) principle is applied]. The redistribution elements present in the social insurance development, significantly widened during their historical development, caused a major upset of the actuarial financial balance of the insurance system. Therefore proposals are put forward to return to insurance principles based on *Vorsorge* i.e. more prudence than assistance and care (*Fuersorge*). For this reason the benefits targeted at the population in relation to its social

functioning are transferred for financing from general taxes e.g. family benefits, public health benefits, ... (Schmaehl 2003).

Still another justification leading to the split of financing between taxes and contributions is connected with the concept of basic benefits i.e. responsibility of the state for securing minimum income level that secures one's support at the level of, at least, basic poverty line. This approach, derived from the Beveridge concept, clearly retrenches burdening of labour costs, but increases pressure on the tax hikes in relation to the strife for raising the level of basic benefits.

With the emphasis put on the prudence principle, the capital insurance mechanism and spreading consumption over life cycle are introduced. In this sense social security institutions become also a piggy bank that we use to save money when we work, are healthy and young, and that we use to finance our consumption when we are jobless, sick or older (Barr 2001).

CLOSING REMARKS

The state responsibility for addressing basic social issues is a permanent duty at each stage of development. The problem of welfare state will not boil down to reduction of the intervention scale, but rather to the fundamental change of its content and methods. The nation-state will be still needed, but more to act as an intermediary (between global and national structures), to undertake negotiations and mediations (not only internal but also external – agreeing of national and global interests), to carry out regulatory activities, to provide hints to decentralised structures – regions and local centres. The state will run open co-ordination process and will monitor the strategies set jointly with the European Union for addressing basic social issues: unemployment, poverty and social exclusion. The new role will be much more difficult, demanding from the politicians and officials much higher qualifications and skills than in the environment of direct management of individual spheres of life.

New welfare state, perhaps weaker due to the possibilities of direct interventions, should be primarily wiser and more honest. Only such state can cope in the environment of certain chaos caused by big changes. In such state a major role will be played by political elites. Their good preparation, social imagination and morale will be crucial to the society with its social problems to find its place in the process of transformations.

¹ A significant role in the criticism played OECD analyses (OECD 1982 and 1985). Costly welfare state implies too large scope of redistribution, which consequently may upset the macroeconomic balance. Large scope of redistribution enhances also non-market allocation of resources, which reduces its efficiency. Additionally it destroys microeconomic incentives for independence, activity and entrepreneurship. The phenomenon of the lack of political power of the poor and taking advantage of it by the politicians was described quite clearly (Salmen 1995). The resultant vertical dependence relationships in the society known as patron-client relationships (or clientelism).

² The phenomenon of the lack of political power of the poor and taking advantage of it by the politicians was described quite clearly (Salmen 1995). The resultant vertical dependence relationships in the society known as patron-client relationships (or clientelism).

³ The literature on this subject is more and more abundant, see in particular the works of the following authors: Paul Pierson, R. Kent Weaver, John J. Rodger.

⁴ There is a lot of theoretical arguments supporting this position (public goods theory, external effects, agency relations) and there is also numerous empirical evidence.

⁵ In the health care sector the so called basic benefit baskets were developed.

⁶ In English there are many terms to call work: *work, labour, job*, whereas in Polish there is only one word – work. Therefore, there is a slight difficulty in finding the adequate name of this new trend in social policy.

⁷ The *workfare* concept originated in USA. Originally it was connected with the '*welfare-for-work*' schemes under which the beneficiary was put under obligation to do something for himself to become independent, then this concept was widened and accepted as alternative for passive social policy (Standing 2002). Another option of this concept is embedded in

the political programme of the British labour party, called New Labour, presented in parallel by Tony Blair (1998) and his sociological adviser Tony Giddens (1998). The British concept known under the slogan 'to make work pay' and in fact to make work profitable led to the tax and transfer reform (tax – benefit) was targeted at the reduction of taxation of low earnings in order to retrench the employers' costs and stimulate them to create jobs, and to incentivise the persons with low qualifications to work who may only earn low wages, through supporting such wages in the tax – credits system. (Jordan 2000).

⁸ Primarily in the European concepts – *Lisbon European Council*, 23 and 24 March 2000, §§ 24–34.

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