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Welfare: Theoretical and Analytical Paradigms

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Acronyms

ALMP	Active labour market programme
BRICS	Brazil, Russia, India, China and South Africa
CCT	Conditional cash transfer
CEE	Central and Eastern European countries
EITC	Earned Income Tax Credit
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
ILO	International Labour Organization
IMF	International Monetary Fund
ISSA	International Social Security Association
MI	Minimum income
NGO	Non-governmental organization
OAP	Old-age pensioner
OECD	Organisation of Economic Co-operation and Development
PAYG	Pay-as-you-go scheme
RMI	Revenu minimum d'insertion
SSI	Supplemental Security Income
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNICEF	United Nations Children's Fund
US	United States
WHO	World Health Organization
WTO	World Trade Organization

Abstract

The paper reviews paradigms of welfare, principally the industrialization thesis, the three worlds of welfare and social investment states and shows how these link to wider public policies and underlying assumptions. It locates explanations in historical and contemporary contexts. The literature of social policy is seen to be both descriptive and prescriptive and to have developed in response to key crises. The paper considers arguments for and against universalism and targeting, and shows how these concepts fit within theories of welfare. It considers lessons from this review for discussions of how to develop social security and health systems in emerging economies and indicates the value of systems that include all or the vast majority of the population, organized around principles of collective social insurance and recognize the value of caring work. Proposals have, however, to be set in economic systems with fair, living wages and progressive income tax structures—goals which run counter to the current trajectory of financial capitalism.

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Introduction

This paper aims to set out a framework for the debate on how best to develop health and social security systems in future, looking at concepts of universalism and targeting and reviewing the main paradigms of welfare states. It discusses the assumptions, arguments and policy implications related to universalism and/or targeting. Key questions considered are:

- What are the underlying assumptions related to universalism and targeting in these diverse paradigms?
- What are the arguments for universalism or targeting in these paradigms?
- What are the policy implications of these paradigms?
- What issues should be considered by policy-makers in emerging economies aspiring to expand health and social security coverage in terms of population, the level of benefits, and scope?

Principles of universal or selective/targeted social provision have long been central to discussions of the development of the welfare state (Anderson and Ytrehus 2012). While these concepts are often discussed as issues of social philosophy, it is important to understand why and how they have been promoted and implemented and with what effects: to do this, it is necessary to place these discussions in their historical and comparative context. First, however, we need to review the key concepts around which theories and analyses have revolved.

Key Concepts

Welfare was commonly used from the 14th Century to indicate happiness or prosperity. A subsidiary meaning was of merry-making. The extended sense of welfare as an object of organised care or provision came in in the 20th Century. The welfare state in distinction from the warfare state was first named in 1939 (Williams 1985:281).

A ‘*welfare state*’ is a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions—first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work or their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain ‘social contingencies’ (for example, sickness, old age and unemployment) which lead otherwise to individual and family crises; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services (Briggs 1961: 288).

Three policy domains are central to the welfare state—health care, pensions and labour market policy: “the lion’s share of social expenditure in all of the affluent democracies goes to two areas, health care and pensions” (Pierson 2001a:11). The welfare state “is generally taken to cover those aspects of government policy designed to protect against particular risks shared by broad segments of society” (Pierson 2011b:420).

Richard Titmuss, seen by many as the founder of the discipline of social policy, pointed out that to equate the welfare state only with visible state provision is misleading, and he drew attention to the social division of welfare, noting three systems of welfare: social or public; fiscal; and occupational. The latter two tend to be regressive, favouring the middle class. Debates today still focus mainly on the most visible aspects of welfare. He also

warned against over-simplifying the distinction between *universal* and *selective (or targeted)* services. These have many forms, he observed, and selective services can play a role within a universalistic system (Smith and Titmuss 1987). He outlined three models of social policy: the residual welfare model; the industrial achievement-performance model; and the institutional redistributive model (Titmuss 1974).

T.H. Marshall distinguished between universal programmes that guarantee a social *minimum* and those that strive to provide a social optimum (Marshall 1965:91–92). Targeting, by contrast, is when the scope of beneficiaries is more restrictive. More recently, Mkandawire noted that under universalism, the entire population is the beneficiary of social benefits as a basic right, while, under targeting, eligibility for social benefits involves some kind of means-testing to determine the “truly deserving”. However, he pointed out, policy regimes are hardly ever purely universal or purely based on targeting—most are hybrids (Mkandawire 2005).

Universal services do not stigmatize: they are available and accessible without involving any loss of dignity or self-respect. They can be preventative if used by all the population and delivered through socially approved channels. A universalist system involves a comprehensive set of services, social security, education, personal social services, health care and housing. Some additional selective, specialist services may still be required to meet special needs or respond to the exclusion of some groups from services which ideally should be available to all (Anderson and Ytrehus 2012).

Context: From Welfare State to Neoliberalism

The nineteenth and twentieth centuries witnessed major transformations of economic systems around the world. The first was the creation of capitalist markets in the Western hemisphere. The second was the transition from capitalism to socialism in several countries. The third was the transition in the reverse direction: from centrally planned, command systems back to market-based economies. The new globalization of business attached to an explosive expansion of information technologies (ITs) and the rapid IT-based industrialization of the Asian economies may constitute a fourth great transformation that will change the economic order of the globe (Kangas and Palme 2005:1).

The historical development of the welfare state is one of both continuity and change. Path dependence is evident but major policy shifts have also occurred in response to crises. There was a general rise in public and social expenditure over time in advanced societies with benefits being written into law. The welfare state paradigm fitted with the age of incorporation in the mid-twentieth century—the so-called golden age of the 1950s and 1960s. Following the inter-war Depression years and the Second World War, the post-war social settlement rested on a commitment to full employment, marrying Keynesian economic policy with social goals. Importantly, in this phase government in the mid-twentieth century was viewed as competent and as representing the national interest (Sachs 2001:50). Welfare provision expanded due to desires for economic efficiency, social equality, social integration, stability, autonomy and/or to reduce poverty. These pressures emerged to different degrees in different countries at different times leading to different welfare configurations.

The welfare state was challenged fundamentally in the late 1970s and 1980s (Mishra 1984). The onset of “stagflation” meant that the resource base for social expenditure had ceased to grow. A key principle of revisionist post-war social democracy had been not to challenge inequality and class structures head on but to argue for equal opportunities in a

meritocratic society and to use the fruits of economic growth to finance public provision (Crosland 1956). This strategy was stopped in its tracks with the oil and fiscal crises of the 1970s. Right-wing ideas gained ground.¹ But criticisms of the post-war social settlement had come from the Left as well as from the Right, with feminist critiques being among the most important.

Change in all regimes occurred from 1975 (Taylor-Gooby 2001). Underlying forces accounting for change were the move to post-industrial economies, characterized by changes in the labour market and especially in women's employment. The 1997 East Asia financial crisis and the increasing role played by giant transnational companies also featured. Attention to the role of post-industrialization gave way to attention to the phenomenon of globalization in explaining changes.² But "one dimension of globalisation has been crucial: a wave of deregulatory pressures emanating from changes in the US political economy, which have led to a dramatic erosion of forms of protected employment" (Pierson 2001a:3). Globalization set welfare states in competition with each other. This raised the question whether socially just policies could co-exist with the pursuit of economic competitiveness. In this period of rethinking social policy, new players entered into the discussions. International organizations such as the International Monetary Fund (IMF), World Bank, World Trade Organization (WTO) and UN agencies such as the World Health Organization (WHO) and the International Labour Organization (ILO) became involved in prescribing country policy, along with regional organizations and international non-governmental organizations (NGOs). This generated a global discourse about the best kind of social policy. And crucially in this period of dominant financial capitalism, a global private market in social provision has been created with the possibility of mainly US and European private health care and hospital providers, education providers, social care agencies and social insurance companies benefiting from an international middle-class market (Deacon 2003:14). This process has been actively encouraged through the promotion of international trade agreements such as the Trans-Pacific Partnership and TTIP (the Transatlantic Trade and Investment Partnership is a proposed free trade agreement between the European Union and the United States), which make it more difficult for governments to regulate markets for public benefit.

However, so far neoliberal rationalities have reshaped rather than dismantled the welfare state (Hartman 2005), mainly due to opposition from social forces representing different interests and values. There was a considerable gap between rhetoric and practice (Mahon et al. 2012). However the pressure continues and has (perhaps surprisingly) withstood the economic crisis of 2008. Neoliberal policies involve a shift from entitlement to obligation and the rise of precarious employment. In neoliberal systems, welfare has a distinct function: it allows precarious employment to flourish through an increase in income support for the low-waged and poor. Targeted social assistance underwrites the flexible labour market and helps to manage peripheral populations. The welfare poor serve as scapegoats, helping to discipline those just above them in the hierarchy (Hartman 2005; Piven and Cloward 1971).

Paradigms of Welfare and their Ideas on Universalism and Targeting

With *the industrialisation thesis*, there is said to be a necessary link between urbanization, industrialization and the growth of welfare states (Sachs 2011). The thesis rests on analysis of the growth of social expenditure over time. Broad overviews

¹ Friedman 1980; Harris and Seldon 1987; Hayek 1976; Murray 1984.

² George 1998; Brady et al., 2005; Glatzer and Rueschemeyer 2005.

highlight shared features across countries at similar stages of development. Industrial societies develop from the “night watchman” state to a “social service” state, and then to the “welfare state”. Social history is a process of progressive development, inevitable improvement, and the increasing power of rationality in deciding on human affairs.

Linked to the industrialization thesis are ideas of convergence, that is, that over time societies will become more similar as they industrialize: as countries enter the advanced stages of industrialization, they become increasingly comparable in their major institutional arrangements and in their social systems generally. The combination of modern technology and an advanced economy produces standardization across societies, with welfare a functional prerequisite. Governments are supposedly neutral, with policy best formulated by technical experts.

Wilensky, a leading exponent of this view, argued that this was not simply a reflection of prosperity but was crucially influenced by interest-group formation: “the root cause of the general level of expenditure is economic growth. Affluence has produced a large proportion of old people—at once a population in need and a political force for further social security development” (Wilensky 1976:13). Two elements were at work: demographic change and the political power of older people. For these interests to be represented, there had to be a certain kind of political system, principally electoral democracy.

Industrialization leads to an increased proportion of older people in the population as an outcome of a decline in the birth rate together with a decline in mortality. So a key explanation for social security growth is the age composition of the population. For Wilensky, writing before the era of retrenchment, a key explanatory variable lay in the age of the social security system itself: he concluded that all systems mature and all government budgets are incremental. Industrial societies are characterized by a general trend from the residual to the institutional form of welfare he argued (Wilensky and Lebeaux 1958).

In this paradigm, there is a gradual development from selective targeting to universalism: the provision of universal social security is rational, functional, affordable, desirable and implementable through a neutral and trusted state.

These accounts include ideas about the impact of modernization, increasing urbanization and changes in family structures, an increase in the proportion of the population employed in non-primary industry, an increase in population, increase in the size of GNP, establishment of mass democracy, and institutionalization of state intervention.

Marxist theories also focused on the development of industrial societies but emphasized the point that these were *capitalist* societies where the connection between social security and the wage system was critical (Gough 1979). Increasing state expenditure is functional but in the sense of meeting the interests of capital. O’Connor, for example, distinguished three types of state expenditure: social investment, which leads to increased productivity and thus profit; social consumption, which lowers the reproduction costs of labour thus leading to increased profit; and social expenses, required to produce social harmony. Social security expenditures are thus functional for capitalist societies in ensuring the adequate reproduction of labour power, giving collective provision against insecurity, providing for the casualties of the system, enabling national efficiency, improving the quality of labour and responding to the increasing complexity of modern life (O’Connor 1979). Marxist accounts note two basic objectives of the capitalist state—accumulation and legitimation. In conditions of austerity, these objectives became increasingly

contradictory (Offe 1984). Legitimation crises and fiscal crises mark the trajectories of capitalist states (Habermas 1976; Lichten 1986). For these writers, at best the welfare state produces a tolerable rather than a ruthless capitalism. The welfare state serves as a palliative or shock absorber but underlying structures remain the same. Ginsburg also noted the role of social policies in structuring patriarchal and racial capitalist societies (Ginsburg 1992).

In this perspective, the move from residual to universal social security reflects the increased need for capital to control and exploit more intensively increasing proportions of the population, the majority of whom are employed workers. Yet these expenditures challenge the profitability of capital, prompting frequent clashes of class politics and cut-backs.

A related but distinct paradigm sees welfare as the *achievement of social rights*. Welfare is one aspect of a package of rights, attained through democratic movements and social progress (Marshall 1965). Here, the first phase involved the attainment of civil rights through legal reforms; the second, the attainment of political rights for the majority through universal suffrage movements; and the third, the attainment of social rights with reforms establishing the welfare state.

Richard Titmuss saw the forces leading to the welfare state as being mainly the fear of social revolution, the need for a law-abiding labour force, the social conscience of the rich and the role of political parties and pressure groups competing for power. However, he thought the most important force was the working class ethic of solidarity and mutual aid.

Universal welfare is here seen principally as an achievement of social democratic parties. Korpi argued that the extension of *social citizenship* through modern social policies was a fundamental macro-level social change in the twentieth century (Korpi 1989). In particular, he drew attention to the role of Left government participation in the extension of social rights. By contrast, Rimlinger argued that the key difference between countries with regard to the development of social security was the strength and content of the liberal tradition (Rimlinger 1971). For Castles, equally important was the extent to which Right-wing parties opposed or conceded to reform. In certain conditions (war or dominance of progressive business within the elite), opposition from the Right may be lifted or diverted, allowing universalist ideas to make progress (Castles 1989).

All these writers highlighted the role of political battles in the development of social security. Universal social security has been a political goal of social democratic parties and trade unions because it meets shared needs and serves the interests of the mass of working people. Universal provision develops not primarily to alleviate poverty but to provide security for the majority. Working class aversion to targeting reflected the historical experience of the workhouse and of means testing where working class pride was offended by targeting provision through charity and poor relief. Universalism supports the dignity of labour.

For the American writers Fran Piven and Richard Cloward, however, social welfare systems were better explained as a device to enforce social discipline and regulate the poor: welfare was not so much about meeting need as about maintaining the rule of elites (Piven and Cloward 1971). Importantly, they concluded that welfare systems focus on the poor, not the majority. Social change results from a dynamic of repression and resistance: in this, community groups are as (or more) important than organized labour. Welfare's default position is residual and targeted, minimal provision. Expenditure expands only as

a response to protest and riot and, once social control has been re-established, provision is withdrawn and falls back to the lowest level possible.

Foucauldian accounts have also argued that welfare systems act to police the population, acting as inspector and scrutinizer, monitoring subjects, especially through collecting vital information on social groups, (taken a step further recently by processes of digitization). Here universal institutions are part of a process supporting the internalization of self-regulation among the majority, with punitive, targeted measures reserved for the minority of poor and deviant who are unable or unwilling to discipline themselves (Rose 1999).

Other studies have explained the development of social protection as part of nation-building with preparations for war and the experience of war often serving as catalysts for change (Middlemas 1979). War-time has also been seen as an important crisis leading to increases in public expenditure, which never return to the pre-war level (Peacock and Wiseman 1961). War and other critical periods also increase state capacity. Universal policies in Europe developed in the context of mid-twentieth century state of total war when mass mobilization was required. Social protection served as compensation for sacrifice and helped to manage a mass population.

War has influenced the development of social protection through the process of testing social institutions. Institutions may withstand the test of crises or may collapse or change. Austerity and fiscal crisis may operate similarly to test institutions (Schmidt and Hersh 2003).

All the above theories tend to draw on historical evidence from one or two countries, or on cross-national studies focusing solely on levels of social expenditure measured as a proportion of GNP. Comparative social policy developed further with advanced computing which allowed more complex comparisons. But analyses were also shaped dramatically by Esping-Andersen's formulation of the "three worlds of welfare" (Esping-Anderson 1990).

"Worlds of Welfare": Profiles, Modifications and Criticisms

Importantly, Esping-Andersen characterized his object of study as *capitalist* societies rather than seeing them as primarily industrial, urban or modern.³

The three worlds of welfare profile different regime types and derive from a review of 18 countries: *regime* refers to a framework of rules and understandings, codes and sanctions within which policies operate. The emphasis in regime theories is on the clustering of factors which together explain differences and similarities. These regimes are ideal types in the Weberian sense, serving as heuristic devices not as fixed types or categories. Real world complexity is recognized by Esping-Andersen.⁴

³ Three ideal types of industrial capitalism have been profiled (Schmidt and Hersh 2003): the market-led type; state-led capitalism; and negotiated or consensual capitalism. In the market-led type, dominant players are private actors and key values promote individualism and liberalism (p.6). The role of the state with regard to social protection is one of minimal allocations to low-income groups and private insurance is mainly employment-based (p. 7). In state-led capitalism, public agencies collaborate with private enterprise. Central planning is significant, and some workers are tied to private corporations through enterprise-based welfare benefits: however, employment conditions in family and medium-sized factories are more precarious (p. 7). Negotiated or consensual capitalism involves workers' rights and social welfare (p. 8).

⁴ "The Scandinavian countries may be predominantly social democratic but they are not free of crucial liberal elements...At least in its early formulation, the New Deal (in USA) was as social democratic as was contemporary

In the three worlds of welfare, Esping-Andersen distinguishes between *liberal*, *conservative* (or corporatist) and *social democratic* forms of welfare capitalism. The pivotal questions concern relations between state, market and family. For Esping-Andersen, key distinguishing features are the degree of decommodification, patterns of social stratification and patterns of employment. Social rights are considered in terms of their capacity for decommodification: a social right is something which permits people to make their living standards independent of pure market forces. Politics matters in this account but politics is not only about the political mobilization of the working classes: other influences such as nation building and the influence of Catholicism or conservatism are also included.

In the *social democratic model*, crucially, the goal is equality of the highest standard rather than an equality of minimum needs. The principles of universalism and decommodification extend also to the new middle class. Social democracy is the key force behind social reform. The goal is equality of the highest standard rather than an equality of minimum needs. The state takes direct responsibility for caring for children, the aged and the helpless. The system rests on a strategy of full employment. The welfare state is not just a provider but also an employer, especially of women, with the costs of the family being socialized and the vast majority of women being in paid public service employment.

This regime type is found mainly in the Scandinavian countries, which display a high level of prosperity and rapid economic growth, despite their high social spending.

Liberal welfare states, by contrast, only grudgingly provide the minimum welfare necessary for a healthy economy. The bottom line is that efficiency must not be undermined by social policy. Social insurance is self-financed with no major redistribution of income and only modest social transfers. Much stress is placed on reinforcing the work ethic, with means-tested welfare assistance stigmatized (“welfare” here being used in the American sense). However some private welfare is subsidized by the state. Liberal welfare regimes give more weight to economic efficiency goals and often argue there is a tension between equity and efficiency.

Conservative regimes are strongly corporatist with emphasis on the preservation of status differentials. Rights are attached to class or status, and there is little redistribution. The church is influential but private insurance and occupational benefits play only a marginal role. Preservation of the traditional family is important, with family benefits encouraging motherhood. As practised in Germany and within the European Union, a key organizing principle is that of subsidiarity.

It is the history of political class coalitions which has given rise to these different shapes of welfare; for Esping-Andersen, this is the most decisive cause of welfare state variation.

Most comparative analyses of these three welfare regimes have focused on social security defined in terms of unemployment benefits, pensions and/or social assistance. Health insurance has not always been included. Bambra has, however, constructed a health decommodification index, looking at the same 18 countries of the Organisation of Economic Co-operation and Development (OECD) at the same point in time as did

Scandinavian social democracy. And European conservative regimes have incorporated both liberal and social democratic impulses” (Esping-Anderson 1990:28–29).

Esping-Andersen.⁵ On the whole, the three worlds of welfare stood up to scrutiny (Bambra 2006).

The concept of three worlds of welfare became the main reference point in comparative social policy studies thereafter and generated a huge literature, including some criticisms and revisions.

One set of criticisms extended the list of types (Arts and Gelissson 2002). Commentators argued that Mediterranean countries constitute a separate regime with limited social insurance coverage, which is (at least partially) rooted in clientelism (Leibfried and Pierson 1995). These Southern European cases, also described as the Latin Rim, were initially rudimentary welfare states with no given right to welfare and resting on older traditions connected to the Catholic Church. However they moved rapidly towards welfare state provision influenced by European Union (EU) membership.⁶

East Asian welfare states have been seen as a separate regime. Asian countries generally introduced social security programmes when they entered the global economy in the 1970s, and welfare expansion accompanied rapid and strong economic growth. Regional organizations such as the Asian Development Bank proposed social protection plans. Social development as well as economic development was promoted (Chan 2004). In “productivist welfare capitalism”, social policy was subordinated to economic policy and the imperatives of growth, premised on full employment, and supported in some countries by broader policies of land reform and public housing. In this model, social expenditures are relatively small but are well targeted on basic education and health as part of a strategy of nation-building, legitimation and productive investment.

Using the concept “family of nations”, Castles identified the Antipodean countries as radical welfare states. Australia in particular has been said to be in a different category of “social protection by other means” or an employment-focused regime (Castles and Mitchell 1993). Welfare here is linked to national level collective bargaining between employers and trade unions but without as much state involvement as in the social democratic nations.

A further regime type suggested is that of post-Communist countries. These were countries where, under Soviet Communism, authoritarian dictatorships stressed industrial output and social policy was work-centred. Failed economic policies and high military expenditures led to declining standards of living in the late 1970s and 1980s and eventually to social revolutions. Social policy under Communism had involved central regulation of wages and a social wage with high female labour force participation. Public services, especially health and education, grew, and there were rights to housing but this was often of poor quality. Child care services expanded. In these systems, there was full and quasi-obligatory employment, broad and universalistic social insurance, and a highly developed, often company-based, system of services and fringe benefits. Transition saw variations between countries with a move to a more liberal model in some countries, in

⁵ This index measured private health expenditure as a percentage of GDP and counted private hospital beds as a percentage of the total bed stock and also looked at the percentage of the population covered by the public health care system. Bambra then compared her classification of countries, using this health care index, with the more conventional labour market-centred welfare state typologies and found that Denmark, Finland, Norway and Sweden stayed in the high de-commodification group. Austria, Belgium, France, Germany, Italy, Japan, the Netherlands and Switzerland stayed in the conservative medium group, with Australia and the United States staying in the liberal or low commodification group. However there were some differences, with changes to the classification of Canada, Ireland, New Zealand and the United Kingdom.

⁶ It is these countries however which currently bear the brunt of austerity policies following the 2008 financial crisis, with very high rates of youth unemployment, which raises questions about how long these systems can survive.

others to a welfare state, and in others a return to older forms (Cook 2014; Deacon et al. 1992).

The “worlds of welfare” discussions have been criticized by those who point to the neglect of ethnic divisions and differentiations (Williams 1989). Migrant workers, for example, perform much of the low-paid service sector work in many affluent countries. Migration has increased the extent of heterogeneity and differentiation within many countries, and some see diversity as posing a challenge to universalistic welfare states (Goodhart 2013). Migrants are often excluded from social security systems founded on notions of citizenship or residence tests. They do however often provide essential labour in systems of health and social care and in the private domestic sphere.

Korpi and Palme criticized Esping Andersen’s paradigm saying “it mixes causes, mediating variables and outcomes” (Korpi and Palme 2003:431). They noted important differences between kinds of risks. Ageing and sickness are risks universally shared. But risks for unemployment, accidents and poverty are skewed. Korpi and Palme offer a different typology based on variables such as criteria for benefit eligibility, principles for benefit levels, and forms of programme governance. They discern five types.

- The *targeted model*—which provides minimum benefits after a test of need (Australia).
- A *voluntary state-supported model* which is organized through a number of voluntary funds, and eligibility depends on membership contribution but benefits are relatively low.
- A *Bismarckian state corporatist model* where membership is given to the economically active population; there are occupational, segmented insurance organizations; and benefits are related to previous earnings—contributions and financing systems vary but the state corporatist system crucially involves joint governance by representatives of employers and employees (Austria, Belgium, France, Germany, Italy and Japan). These systems also often include important roles for confessional parties which stress social cohesion.
- The *Beveridgean basic security model* which is universalistic in that it includes all those insured in the same programme and offers flat rate benefits at relatively low levels (Canada, Denmark, Ireland, the Netherlands, New Zealand, Switzerland, the United Kingdom and the United States).
- The *encompassing model* which combines aspects of the Beveridgean and Bismarckian systems, combining earning-relatedness with universalism, giving basic security to all citizens as well as earnings related benefits to the economically active (Finland, Norway and Sweden).

These encompassing arrangements bring in the middle classes but need political parties to organize. They provide high benefit levels and insurance coverage in periods of expansion: in retrenchment, given their reliance on political parties, outcomes are affected by the ideology and practice of those parties.⁷

Feminists criticized Esping-Andersen’s regime typology for being limited to the work-welfare nexus and ignoring the care-welfare nexus (Lewis 1992; O’Connor et al. 1999). Pascall and Lewis (2004) argue that within Europe, women’s labour market participation in the West and the collapse of communism in the East undermined the systems and

⁷ Around the turn of the 21st century the European labour movement abandoned support for decommodifying welfare policies and moved support towards work oriented measures to enable participation in the market, influenced by the US 1996 welfare reforms (Gilbert and Besharov 2011).

assumptions of both the Western male breadwinner model and the dual worker model of central and eastern Europe. Care work and unpaid care workers have been the principal casualties of recent trends (Abramovitz and Zelnick 2010). In all regimes, policies for supporting unpaid care work have developed modestly compared with labour market activation. Where Esping-Andersen focused on decommodification, social stratification and employment, for feminists, the key elements of gender regimes are paid work, care work, income, time and voice (Pascall and Lewis 2004).

The liberal model, represented by the United States and to some extent the United Kingdom, offers women as individuals the right to gender equality at work but accepts only limited public responsibility for the costs of children and brings “problems of income and time poverty, gender inequality, questionable child care arrangements, and poor outcomes for children” (Pascall and Lewis 2004:377–378). In the liberal United States, women’s full-time work is supported mainly by privatized care, with many consequences for time and the quality of care, as well as deep social divisions in work, with better-off women relying on the labour of poor, often migrant, women. Only the social democratic, Scandinavian regimes approach gender equality across paid work, care work, income, time and voice (Pascall and Lewis 2004:379). Here, Scandinavian women’s full-time work—or long part-time hours—are combined with social care provided outside the family. The consequence is however occupational segregation.⁸ However, gender pay gaps are low and there is greater equality of work within households.

The gender division of unpaid work is fundamental but overlooked in both the industrialization and three worlds of welfare accounts. Feminists point to the significance of collective provision as evidenced by those regimes that have actually produced a degree of gender equality, especially Scandinavian and Central and Eastern European (CEE) countries (Pascall and Lewis 2004).

Feminist accounts thus focus on the central dimensions of gendered divisions of labour, the family wage system, traditional marriage and controls over women’s bodies. They pay particular attention to women’s labour market participation, employment rights, service provision, parental leave policies and employment equality strategies, as well as old age retirement and survivors’ coverage, unemployment benefits, sole parents’ benefits, support for families and support for care-giving.

With regard to universalism and targeting, feminists criticize concepts of universalism as being “male universalism” only, since most systems give lower priority to women’s interests and needs (other than as mothers).⁹ Insurance systems, especially those which are earnings-related, based on contributions and standard employment careers, do not fit with the interrupted, low-paid, working lives of women and their dual and triple burdens are not recognized. Targeted systems are even worse, focusing on poor mothers and involving submission to demeaning and punitive procedures before benefits can be accessed. These explanations indicate that there are various kinds of universalism, more or less inclusive, and with more or less redistribution. The different systems attract more or less support and are more or less sustainable. Korpi and Palme clearly prove that a narrowly targeted transfer payment to the poorest, which might be adequate initially for

⁸ Within households there may be an alliance of private and public (one partner working in the private sector and the other in the public). This may encourage support for public provision as couples recognize their joint interests are served by public services.

⁹ Skocpol demonstrated the pivotal role of women’s voluntary organization in the early formation of America’s “maternalist welfare state” (Skocpol 1992).

effectively fighting poverty, leads to a loss of political support. This is *the paradox of redistribution*. In the end, the most targeted benefit systems are least likely to redistribute income (Korpi and Palme 1998).

Disruption and crisis led to adaptations and revisions of the key components of these worlds of welfare. Cox observed that two decades of reform from the 1970s through the 1990s changed the face of the welfare state: “the principle of universal entitlement derived from citizenship is giving way to a less formal, more discursive notion of social entitlement” (Cox 1998:3). There was a general move away from optimal provision towards minimalist provision. Obligations as well as rights were emphasized. Cox criticized Esping-Andersen’s concept of the three worlds of welfare as being “flawed on empirical grounds” (Cox 1998:13). In addition “two decades of reform have fundamentally changed this profile in many countries” (Cox 1998:14). Selectivity, he observed, is now the norm.

Pierson, however, concluded that direct attacks on social programmes were generally of limited success. Social expenditure roughly maintained its share of economic output in both America and Britain: that is, the main components of the welfare state remained intact, despite the political onslaught associated with Reagan and Thatcher. But the impact on the distribution of income was great. This “new politics of social policy” perspective concluded that in an era of austerity, the class-based parties which had driven welfare state expansion had been superseded by powerful new interest groups of welfare state clients (such as middle class parents or older people)—these were often able to resist the retrenchment pressures of post industrialism (Pierson 2001). (Similarly the experience of receiving care or support varied, with demeaning conditions attached to receipt of public benefits by the poor, and (sometimes but not always) more favourable treatment experienced in the more costly private sector).

Korpi and Palme discern a “cyclical pattern in the relative significance accorded to class in debates within social science” (Korpi and Palme 2003:425). These authors see the continuing significance of power resources and socioeconomic class, with class being defined in terms of position in the labour market. The level of unemployment is crucial and the return of mass unemployment poses challenges to welfare states.

Research working within this perspective consistently demonstrates that conservative welfare states have generous pension schemes with high replacement rates but low redistribution. Redistribution is higher in the Nordic and Continental and lower in the Southern and Anglo-Saxon types within Europe (Kammer et al. 2012). The explanation lies with which groups are included in social security systems, and this reflects the underlying political coalitions and the governance of welfare programmes. Korpi and Palme in a much cited article had clearly proved that a narrowly targeted transfer payment to the poorest, which might be adequate for effectively fighting poverty, leads to a loss of political support. This is the paradox of redistribution. In the end, the most targeted benefit systems are least likely to redistribute income (Korpi and Palme 1998).

Responding to Crisis: Ideas of Social Investment

In the context of late twentieth century social and economic changes, the OECD played a key role in developing a supply-side strategy towards unemployment (Triantafyllou 2011). The new approach was that interventions should seek to stimulate the self-governing capacities of the unemployed, entrepreneurs, students and others. The assumption was that globalization, new forms of information and communication

technology, new social movements and interest groups, new identities and cultures, the hollowing out of the state and the increased strength of organized private interest groups had produced a complex society to which the old forms of the welfare state were badly matched. New forms of policy delivery were required, along with structural changes in the labour market.

A related assumption was of the need to *modernize* to address new issues. This included a modernized form of the state in which the state has a positive role, acting in partnership with the market. These ideas were supported by the European Commission and promoted by agencies like OECD, the United Nations Children’s Fund (UNICEF), and the World Bank, indicating the influence of epistemic communities of experts and advisers such as the International Social Security Association (ISSA).¹⁰

The OECD and the World Bank are associated with the diffusion of the ideas and practices that underpin neoliberal globalization. But both have gone beyond brute neoliberal prescriptions of welfare cuts and structural adjustment to advocate public investment in child care and child development programmes—investing in children as part of a social investment strategy (Mahon 2010). However, while there is some convergence at the level of discourse regarding the need to invest in child care, there is continued diversity in actual policies. The World Bank also promoted privatization of health services, user fees and encouraging NGOs to provide services along with decentralization (Pfeiffer and Chapman 2010).

In this paradigm, labour markets should be reformed to allow marginal workers to find jobs more easily (even if these jobs are low paid and insecure). Maintaining the incentive to work is the crucial issue. Thus reforms to social security were thought to be required. The view emerged that the “functioning of markets depends fundamentally on a wide array of domestic institutions, such as inter-firm relations, taxation regimes, employment relations, infrastructure, education systems and an effective bureaucracy” (Triantafyllou 2011:575). Enabling institutions were thought to be needed, which should encourage innovation, new technologies and entrepreneurs, create active citizens who are employable, and encourage the unemployed to engage actively in job search. Policies should be comprehensive.

The social investment perspective arose as a response to the experience of the consequences of neoliberalism. It represented an updated social compromise—a middle way between the neoliberal model and the universalist welfare state—and, crucially, was seen as realistic and politically feasible. Its main goals were to redirect social policy away from what was seen as a bias in both universalist and targeted systems in favour of *passive* income maintenance towards *active* labour market programmes (ALMPs) which it was argued could put people back to work: trampolines, not safety nets, were the ambition. Responding to feminist critiques, the aim was also to help households harmonize work and family life (Esping-Andersen 1996a:3). A new form of skills

¹⁰ For example, the concept of dynamic social security has been fostered by the ISSA which sees itself as an international agent for change, promoting and developing social security throughout the world, primarily through its technical and administrative improvement, in order to advance the social and economic conditions of the population on the basis of social justice (ISSA 2011a). The association has over 350 member organizations in over 150 countries, and the majority of these members are national institutions directly responsible for the administration of one or more aspects of social security. The ISSA defines social security as “any programme of social protection established by legislation, or any other mandatory arrangement, that provides individuals with a degree of income security when faced with the contingencies of old age, survivorship, incapacity, disability, unemployment or rearing children. It may also offer access to curative or preventive medical care. As defined by the International Social Security Association, social security can include social insurance programmes, social assistance programmes, universal programmes, mutual benefit schemes, national provident funds, and other arrangements including market-oriented approaches that, in accordance with national law or practice, form part of a country’s social security system.” <https://www.issa.int/topics/understanding/introduction>.

training was proposed for the post-industrial economies with an emphasis on human capital investment. The idea of activation became a leading theme across a number of countries in the 1990s and 2000s, coloured differently however when taken up in different settings—either liberal, social democratic or corporatist.

Activation policies to promote the employment of lone parents have been prominent in recent years (Knijn et al. 2007). Provision for widows shifted to a concern with never married, divorced or separated women in the 1980s, partly due to an increase in numbers in these categories and numbers claiming assistance. Activation policies would “make work pay” through subsidizing employers as well as employees (Kuttner 2002).

ALMPs aim to raise the cost of non-work, increase the benefits of work, increase the availability of work and increase readiness to work. Møller and Stone comment that ALMPs involve a shift to a moral perspective on social welfare: there has been, they observe, a strong re-emergence of a moral framework for governing the relationship between labour markets and social assistance (Møller and Stone 2012).

In some ways, the social investment perspective can be seen as a variant of the industrialization thesis, in that it downplays capitalist relations and highlights changes in employment. For the affluent, advanced industrial societies, the idea gained ground that in competition with the emerging economies (the BRICS, or Brazil, Russia, India, China and South Africa), it was unrealistic to aim to compete in terms of wage levels: rather the state should encourage the development of upmarket knowledge and skills (Morel et al. 2012).

“Starting in the late 1990s, new ideas concerning the role and shape of social policy and its role in relation to the economy began to emerge” (Morel et al. 2012a:8). Welfare state principles, goals and instruments were redefined and revised to adapt to the new socioeconomic context (Esping-Anderson 1996; Giddens 2000). Various terms appeared to profile these revised social policies—the developmental welfare state, the social investment state, the enabling state and inclusive liberalism—but in all of them social investment was the key theme. A core idea was that of the knowledge-based economy. Knowledge was to be the driver of productivity and growth, assuming low-skilled jobs would migrate elsewhere. Post-industrial societies, it was argued, had to compete by developing and trading in high quality, high-skilled manufacturing, as in Germany, or service jobs, finance or health care. This became a key part of European Union strategy, encapsulated in the Lisbon agenda, adopted in 2000.

For social security, the need was to modernize to better address new social risks and needs. Prominent among these were single parenthood, balancing work and family life, and encouraging flexibility and adaptation through training and lifelong learning. What appeared to some to be an oxymoron emerged in the concept of “flexible security”. Along with this, it was recognized that a new social problem, termed social exclusion, had emerged and policies to promote social inclusion were developed. Investment in human capital—especially through education and training—was implemented in different ways in different countries and to varying extents: done poorly in the United Kingdom and better in Germany and Sweden, for example.

Rather than social expenditure being seen as a burden or a cost, as the liberal and neoliberal perspective would have it, this paradigm assumes that social policy can be a positive factor in economic development. Continuities with the industrialization thesis are evident, with social security being seen as a necessary aspect of development—as

functional and rational—and as linking to national or regional strategies and interests. East Asian productivist systems as in Singapore seemed to exemplify this with their commitment to education, health and social services (Gough 2000).¹¹

The state is thus not merely the agent of capital but has an important role to play in furthering the national interest, as distinct from the general interests of capital. The older methods of central planning and regulation are thought no longer relevant or applicable in an era of financial capitalism: ways have to be found to attract foreign investment and promote national companies. This might involve a reduction in corporation taxes (encouraging low tax regimes and the migration of companies' headquarters) and promotion of a favourable environment for business to operate in, which could include providing a skilled, educated, healthy and disciplined workforce, along with supportive infrastructure and law and order. This has important implications for taxation with the tax burden increasingly shifting away from business (especially multinationals who find ways to avoid payments) and falling more on consumers, with a parallel shift from more progressive income taxes to regressive indirect taxes. Thus while social expenditure remains a key aspect of government policy, its finance is raised increasingly unequally from taxes on residents.

Those arguing for the social investment paradigm trace its origins to inter-war Sweden and the work of Alva and Gunnar Myrdal (Morel et al. 2012). At that time, in the 1930s, a specific link was made to population policies and the fertility question: the policies that followed were notable for their focus on children and recognition of the need to provide economic support to families. They included cash transfers and support for the dual breadwinner model and a stress on quality in nutrition, day care, education and health care, with the interconnection between policy areas being important, producing an integrated, holistic and mutually reinforcing set of provision. Whether the contemporary version lives up to these ideals is debatable.

It was Gunnar Myrdal who introduced the concept of productive social policy. Here we see also a link to ideas of social democracy as they developed in Sweden: “guaranteeing income security in particular was seen as a vital element in helping to overcome workers’ fear of change and thus of economic restructuring” (Morel et al. 2012:4). Swedish social democracy in its heyday had reconciled the goals of equality and efficiency, resolved the tension between individual security and social solidarity and between rights and responsibilities, with social rights acting to support economic development and efficiency.

In today’s social investment model, the dual earner assumptions found in Sweden remain. The argument was that the conservative-corporatist model in particular would need to revise its traditional, male breadwinner ideas. These so-called frozen conservative, continental welfare states were seen as least ready to adapt. They were criticized as unable to create jobs, with high youth unemployment being seen as a key warning sign. Others proposed, rather than the social investment model, a more robust acceptance of the “Anglo Saxon”, or liberal, model with its arguments for flexibility through lowering wages and reducing the security of employment. Germany responded to these pressures, adopted revised policies and appeared able to survive, including adapting to reunification, through a combination of sound budgeting and social investment. Germany was able to create jobs.

¹¹ In Singapore, nine-tenths of the government’s efforts towards social protection consist of contributions to the country’s Central Provident Fund, a compulsory savings scheme from which Singaporeans can draw for housing, health care and retirement.

Palier and Martin have disputed the “frozen landscape” criticism of Bismarckian welfare systems. “On the contrary,” they claim, “Bismarckian welfare systems have changed a lot...structural, institutional and paradigmatic changes are indeed taking place” (Palier and Martin 2007:541). Initially, these welfare systems had responded to crisis by increasing social expenditure and social contributions to finance a labour-shedding strategy. They later restructured in line with the dominant social policy agenda set at the international level, as by OECD. This has, however, resulted in an increase in the insider/outsider cleavage.

Currently the Swedish system too is under pressure (Schierup and Alund 2011). Twenty percent of the Swedish population is now foreign born or second generation.¹² There has been a growth in extremist populism and an increase in the unprotected or semi-clandestine sector of the labour market, and in youth unemployment and urban segregation: this has led to rioting and violence in Swedish cities. Developments in the disadvantaged neighbourhoods of other European and North American cities are now replicated in Sweden. Segregation, racialized exclusion, and concentrated poverty produce a state of continuous low scale rebellion, occasionally erupting into riots. The 1990s saw a neoliberal turn in Swedish politics and the adoption of Third Way ideas by the social democrats—ideas of business-friendly policies, stressing lifelong learning, employability and ethnic entrepreneurship. Equal opportunities rather than equality of outcome were the aim. This period saw a “gradual demise of the welfare state protective framework of social citizenship” (Schierup and Alund 2011:50). Sweden moved towards the liberal end of the welfare regime continuum (see also (Belfrage and Ryner 2009). Large-scale and long-term unemployment posed challenges to the existing system; elements similar to US style workfare were introduced, creating a marginalized reserve army in precarious low wage employment, among whom are a high proportion of migrants. A Centre-Right government in 2006 introduced root and branch workfare and reduced some elements of health insurance coverage. The dual labour market became progressively more polarized, and there was a growth in social inequalities (Schierup and Alund 2011:51). An underclass emerged and became prominent in neo-conservative discourse. Citizenship now depends on a language test, value conformity and adherence to a disciplinary workfare regime.

In Australia, similarly, a shift in welfare reform occurred as a response to the economic crisis. “Income management” was incorporated into social assistance programmes, such that a proportion of income support had to be set aside for essential household needs and expenses, and recipients were not allowed to spend this on alcohol, tobacco or gambling. Australia continues to have one of the most selective and highly targeted systems of social security in the Western world. In crisis there was little room for cuts in what was already a residual welfare state so tightening of conditions of receipt of benefit was the main option available (Saunders and Deeming 2011).

One question to bear in mind when considering the social investment perspective relates to how far and in what ways these ideas were actually put into practice. Social investment ideas were taken up and implemented in different ways in liberal, corporatist and social democratic regimes with varying effects, for example, how far quality work was sidelined for “any job will do”. How far did up-skilling occur in practice and how far did social policies reduce women’s dual burden as they were forced to engage in paid work in increasing numbers? Key issues became overworked mothers and the quality and quantity

¹² In Malmö, two out of five people were born abroad or have one or both parents who were born abroad, and half of children under five speak a mother tongue other than Swedish (Schierup and Alund 2011).

of child-rearing, nursery provision and schooling, and the well-being of children. Critics of the social investment perspective objected to its productivist assumptions with everyone, including children, being seen solely as workers or potential workers—a narrow vision of human aspiration (Lister 2003).

European and Latin American policies have been seen as moving in similar directions (Arza 2012; Cortes 2008). A common social investment perspective includes the objective of “making work pay”, not simply by making it compulsory and competitive with social benefit rates but also by supplementing wages, providing low cost services or both (Jenson 2009; Jenson 2010). Aspects of both targeting and universalism are combined. Plans may target adult savers through microcredit programmes and may promote the assets of children and young people. The middle class as well as the working class and the poor may benefit from social policy, with allowance for universal programmes and social benefits so long as these can be seen as investments in the future, focusing on children and human capital development. Targeting some benefits directly to the poor is seen as quite compatible with this approach. Similarly, targeting programmes at lone mothers is seen as acceptable if it advances opportunities for children. In-work benefits to provide incentives to low income earners to enter and stay in the labour force expanded rapidly in the early part of the twenty-first century, especially where these targeted parents and children.

In supporting the social investment approach, Esping-Andersen advocated a new gender contract supporting a child-centred strategy (Esping-Andersen 1996b, 1996a). The key was to support women in the labour force. This is seen by many as an advance. Others are more sceptical. Within the social investment perspective, “explicit attention to adult women is overwhelmingly focused on maternity and particularly their contribution to demographic growth” (Jenson 2010:465). There is no attention to feminist demands such as for equal pay. Investing in children is central, rather than women’s rights and redressing the unequal contribution to caring. As Molyneux explained clearly, the new social policies involve equality measures for girls but maternalist measures for their mothers (Molyneux 2006). Jenson concludes that the social investment perspective converges around a package of ideas about modernization, social inclusion and social investment (Jenson 2010:471). Gender equality, however, is not one of its aims (Jenson 2009).

The Social Investment paradigm is thus a middle way, compromise or third way between the Keynesian and the neoliberal paradigms. The social investment paradigm appears able to combine universalism and targeting. Countries differ in terms of the generosity and accessibility of their schemes. The orientation generally tends to favour the neoliberal end of the continuum and where policies fall in practice reflects the strength of forces supporting one or other set of values and goals, varying across countries and over time. The two opposing positions, as we have seen, differ on a number of dimensions regarding: their diagnosis on unemployment; the relation between social policy and the economy; values and principles; key norms for public action; and key instruments. In particular, the social investment perspective reflects neoliberalism in seeing unemployment as principally linked to inadequate skills (rather than to insufficient demand) and labour market rigidities (labour costs and regulation and social benefits). Where the old Keynesian welfare state had assumed only male full employment and the neoliberal model was obsessed with activation policies, the social investment paradigm at its best aimed to pay attention to quality in employment, social inclusion through employment and supportive public provision. Whether it achieved this in practice varied. The social investment state could have a positive role to play through empowering rather

than directing: soft instruments such as guidance and networking are preferred. Key instruments might involve job creation, social services, investment in early childhood care and education, especially to minimize the intergenerational transfer of poverty. In practice, these aspects are found more often in social democratic political formations. In all versions, however, the stress is on the primacy of employment and employability—how this is pursued varies across countries.

Universalism and targeting in each model of social security				
	Liberal and Neoliberal	Conservative Corporatist	Social Democratic	Social Investment
Method	Means testing Workfare Modest level of benefits	State regulator Role for voluntary and church-based organizations Earnings-related principle Social insurance contributions	Middle class included Tax-paying middle class ALMP includes training and education	ALMP Modernized enabling role for state Subsidies to wages Flexicurity ^a
Object	Poverty alleviation	Security Maintain status differentials	Reduce class inequality/ high redistribution Cover wide range of risks Support families	Respond to new social risks Increase competitiveness
Effect	High inequality Low redistribution	Social partners involved in governance Median redistribution	High standard of provision High standard of well-being for population and children	
Rationale	Fear of moral hazard	Subsidiarity principle	Work ethic National identity	Make work pay Future orientation Self-governance for majority Globalization
Context	Weak organized labour	Federal political system Social partnership	Strong public sector unions Women's political participation	

Notes: ^a Flexible social security: midway between so-called bureaucratic social security as developed in Western welfare states in the twentieth century and the need for flexibility to meet the needs of the more dynamic and diverse societies of the twenty-first century, including part time work, caring responsibilities and women's needs.

Current Trends

A key test of social investment ideas is how in practice the unemployed and workless are treated. Current debates around universalism or targeting take place in the shadow of the 2008 financial crisis which in some countries (like Spain and Greece) has led to high unemployment, cuts in public sector provision and employment, cuts in pensions and other entitlements in order to meet the requirements of “bail-outs”. Vis and colleagues have compared the response to the financial crisis of Denmark, Germany, Sweden, the Netherlands, United Kingdom and the United States (Vis et al. 2011). While in the crises of the 1970s and 1980s, the welfare state had been seen as a cause of crisis, in the most recent crisis this was not the case. The response has been to emphasize activation to maximize labour market participation. The welfare state was seen as an acceptable shock absorber initially but concerns about debt and deficits are likely to question this in the longer term. Concern for the long-term fiscal sustainability of welfare state programmes has grown. In the Netherlands, there has been a shift to a workfare model, meaning “social protection in exchange for improved labour market participation and mobility” (Yerkes and Veen 2011).

The universality of social rights remains intact but access to these rights has become increasingly selective and conditional and there is more emphasis on activation...while universality has remained (either in the form of welfare or in combination with workfare) conditionality and targeting has increased and activation has become increasingly important...Social rights have become increasingly conditional, targeted and directed at re-commodification (Yerkes and Veen 2011:434–436).

In the United Kingdom, changes introducing a new Employment Support Allowance have been part of a broader international transformation from welfare to workfare states. They reflect a shift from Fordist welfare capitalism to post-Fordist workfare capitalism. Proponents of the changes characterised the former as involving centralized universal systems and ideas of passive recipients of unconditional benefits: the latter they characterize as pluralist, involving targeted assistance for active recipients provided on conditions. However while the language is of reintegration, the reality is of poor quality, low paid and insecure work and increasingly harsh treatment in the social assistance system, involving reductions in level and range of benefits, increased use of sanctions for infringement of rules (often unfairly) out-sourcing of assessments to private for profit companies and use of unsuitable, formulaic measures rather than clinical judgement in awarding rights to disability benefits.¹³ The main aim is to reassert labour discipline using shame and stigma as sticks. People with disabilities or chronic health conditions are no longer seen as automatically deserving. This especially impacts on those with mental illnesses (Bambra and Smith 2010).

Entitlement to collective welfare is now often restricted to those who have little or no chance in the labour market and who cannot be held individually responsible for a social risk. In the Netherlands, increased emphasis on selectivity and decreased universalism with regard to health care insurance has also been observed (Yerkes and Veen 2011:440). Yerkes and Veen observe a weakening of political opposition to changes and they expect increased selectivity in future and increased stress on workfare.

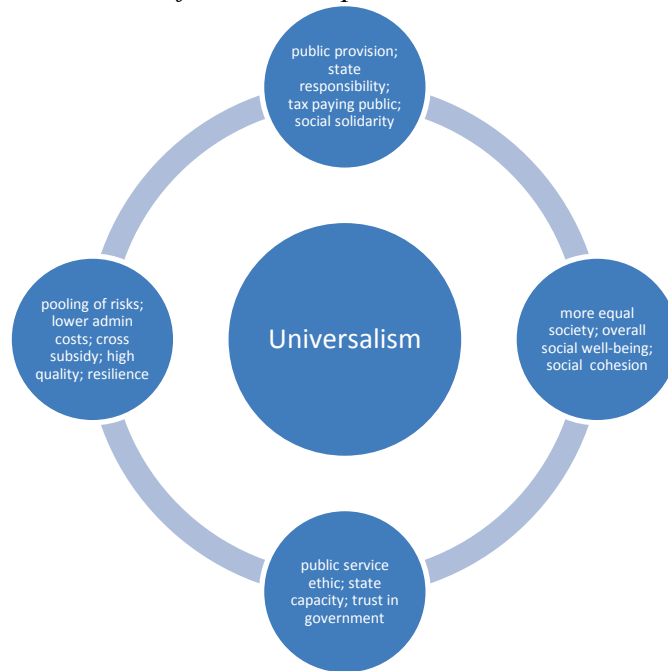
Relevance of These Issues for Emerging Economies

Mkandawire has noted the importance of the debate about universalism or targeting for social development (Mkandawire 2005). Where the main goal was poverty alleviation, the choice between targeting and universalism was couched in the language of efficient allocation of resources, with reference to budget constraints and issues of globalization. Efficiency trumped equity in these considerations. Targeting was claimed to be more cost-effective as administration moved from what were said to be incompetent and corrupt government bureaucracies to non-governmental or commercial groups who managed projects and programmes. These institutional arrangements were thought to allow a clear delimitation of tasks and measurement of costs and benefits.

Existing systems (for example in Latin America or Asia) were criticized as stratified, privileging groups linked to nation building or industrialization, such as state functionaries, the military or key workers. They were seen as biased towards urban workers. Critics argued they helped to sustain a labour aristocracy which ignored the marginalized populations. It was said that state welfare had been captured by special interest groups. While such observations call for reform, the question is in what direction should this go—towards greater universalism or more targeting?

¹³ See <http://worktestwhistleblower.blogspot.co.uk/>.

The feedback loop in universalism



Feedback loops in targeted systems.



Universalism	Targeting
<p><i>Assumptions</i></p> <ul style="list-style-type: none"> Public provision can be efficient Key role for government State responsibility Population able and willing to pay taxes Shared universal human needs Common humanity Middle class inclusion Social Solidarity 	<p><i>Assumptions</i></p> <ul style="list-style-type: none"> Diverse and affluent society Market mechanism more efficient Not all risks equally shared Different life styles Rational man Sticks and carrots work
<p><i>Goals</i></p> <ul style="list-style-type: none"> Concern for public good More equal society Overall social wellbeing Social justice Social cohesion 	<p><i>Goals</i></p> <ul style="list-style-type: none"> Efficiency and affordability Innovation Business friendly Responsive to users and consumers Specialized and adaptable systems Reduce moral hazard Maintain work ethic Individual choice
<p><i>Requirements</i></p> <ul style="list-style-type: none"> Public service ethic Professional ethics State capacity Sound public management Sound budgets Honest politics Trust in government and professions 	<p><i>Requirements</i></p> <ul style="list-style-type: none"> Active labour market participation Involve the private sector Means testing
<p><i>Benefits</i></p> <ul style="list-style-type: none"> Pooling of risks Large risk pool—efficient and lowers costs Lower administrative costs, high quality Allows redistribution and cross subsidies Resilient in crises, resistant to cut backs 	<p><i>Benefits</i></p> <ul style="list-style-type: none"> Individual and cultural preferences respected Most in need can be identified

There are both philosophical and practical disagreements between those arguing for either universalism or targeting. These arguments have been rehearsed by many writers.¹⁴ For universalists, shared provision is a good in itself, supporting a set of values which privilege ideas of the public, common humanity and social justice, that is, there is an ethical imperative. These ideas often link to traditional, religious concepts, for example of the duty to provide hospitality and assistance to the stranger, the principle of altruism. It may be that this is also practical self-interest as one may oneself be in need of help from strangers one day (especially following accident, catastrophe or crisis). By contrast to these idealistic notions, ideas of targeting are presented as realistic, hard-headed, technical and neutral proposals but, their opponents comment, they actually serve the interests of the rich and powerful.

Arguments for targeting

Efficiency: Targeted schemes are seen as more efficient and less wasteful; such schemes are said to be value neutral—means testing is just an efficient way to target resources; theoretically schemes can involve inspecting the incomes of the rich as well as of the poor.

Involve private sector: Private firms can be outsourced and can specialize in delivery. The adoption of business criteria increases efficiency.

¹⁴ See for example Titmuss (1981); Le Grand (1986, 1987); Le Grand and Bartlett (1993); Townsend (2002); MacGregor (1981; 1999).

Encourage work: Such schemes reduce moral hazard and malingering, helping to maintain the work ethic.

Arguments against targeting

Poor services: Selective systems involve discrimination against vulnerable populations. Services for the poor will be poor services.

Increased costs overall: If cuts are made in universal benefits, this will lead to a downward spiral with, over time, an increased need for means-tested provision. The unintended consequence of cutting universal benefits in the name of savings will be of increased costs in other parts of the system. Risk pools are narrower, for example the family or an occupation group.

Failure to meet need: The lack of attention to the whole person in targeted schemes means they are often ineffective. Much targeting assumes that it is possible to identify simple needs and simple outcomes. A complex array of separate, targeted programmes appears, often provided by different contractors with different funding regimes, different categories and rules, and different time scales. The result is often inefficient and unprofitable. The solution is sometimes thought to lie with better linking of information systems through advanced computing but the experience has often been of failure and high costs and wastage. Ethical issues also arise around the sharing of information with commercial providers. What is promoted as simplification, in practice can result in more complexity and inefficiency.

Poverty and inequality: There is a trade-off between the degree of low income targeting and the size of the budget available for redistribution (Korpi and Palme 1998). The outcomes of market-based redistribution are more unequal than are those of earnings-related social insurance programmes. This is the paradox of redistribution: the more benefits are targeted at the poor and the greater the effort to create equality through equal public transfers to all, the less likely it is that poverty and inequality will be reduced. If protection is removed, needs increase with either unacceptable suffering resulting or the need for more costly interventions later to deal with the secondary handicaps of poverty and ill-health.

Politically divisive: The political and social consequences of targeted systems are a build-up of tension between those receiving benefits and those just above them in the income scale.

Arguments for universalism

Support for the public sphere: Social legislation affects habits and values (Sulkunen and Warsell 2012) and promotes the public realm as a protection against the unbridled power of private interests (Clarke 2004). The shared experience of shared provision increases a sense of shared citizenship.

More potential for redistribution: The size of the redistributive budget is not fixed but depends on the structure of welfare state institutions. Social insurance institutions are of central importance to redistributive outcomes. Universal schemes allow the possibility of robust redistribution and cross-subsidy to sustain access on the basis of need.

Higher quality: Because of the inclusion of the broad mass of the population, universal schemes tend to be of higher quality as they mobilize the sharp elbows of the middle classes in scrutinizing performance.

Meets need and protects against risks: Social protection is critically a form of prevention, an insurance against catastrophic experiences as a result of unemployment, sickness or disability. Human beings, especially those in need of social protection, have complex needs and their situations can vary over time. To deal with this complexity and variability, an integrated systems approach is best. At best, universal schemes for social protection are integrated into and link with other areas of social policy, acting in a mutually supportive and reinforcing manner.

Efficient: Certain public goods are best provided at the highest level of government, with tax collection being optimal at the highest (national) level. In the collective/universal system, all are in the same risk pool, generally the nation-state. The pooling of risks is a key principle: systems will be more efficient and have lower costs, the more are included in the scheme. All benefit from a larger risk pool. The universal system is simpler and less complicated and administrative costs are lower.

Promotes solidarity and trust: All citizens are included on the same terms regardless of class, income and status: this is the hallmark of solidaristic legislation (Baldwin 1990). All benefit because risks are unpredictable and outside individual control.

Arguments against universalism

Unresponsive and inflexible: Universalism can be authoritarian. These systems developed alongside ideas of rational planning and privileged the technical expert. Public provision is monolithic, standardized and uniform. Universalism no longer meets the wishes of more diverse and affluent societies.

Costly: Social budgets are “too expensive”; “we cannot afford it”. Inefficient government bureaucracies are often hide-bound by union power and involve wasteful collection and redistribution of resources (with some sticking to the fingers of those who do the collecting and redistributing).

Strategy of equality misplaced: Universal programmes have benefited the middle classes and those who work in the systems administering them, not the poor (Le Grand 1982).

Promotes dualism: Universalism only works in certain types of society: “the solidarity of *flat-rate* universalism [my italics] presumes a historically peculiar class structure, one in which the vast majority of the population are ‘little people’ for whom a modest, albeit egalitarian, benefit may be considered adequate. Where this no longer obtains, as occurs with growing working-class prosperity and the rise of the new middle classes, flat-rate universalism inadvertently produces dualism because the better off turn to private insurance and other methods to enhance schemes to meet standards they expect...the result is that the wonderfully egalitarian spirit of universalism turns into a dualism similar to that of the social assistance state: the poor rely on the state and the remainder on the market” (Esping-Andersen 1990:25; see also Ferragina and Seeleib Kaiser 2011:596).

The concept of public service ethic is naive: The belief that there was such a thing as a public service, professional ethic, one that supplied a better motive to providers of such things as health care than the maximization of profits, has been criticized by Julian Le Grand (1997). He argued that the old model of the professions required the public to believe that all practitioners were “knights” who could be trusted to work to the best of their abilities because of their professional commitments. But, he argued, few people were thorough-going knights. It was better to err on the side of caution and treat everyone

as a potential “knave”, best controlled through establishing market relationships between providers and their customers, wherever possible replacing professional ethics with quasi markets (Le Grand and Bartlett 1993; Le Grand 1997).

Not all risks are equally shared: Many of the risks covered in social protection schemes have their base in individual choices and preferences and forms of behaviour. For example, it may be an individual’s choice to smoke or drink or eat unhealthily or engage in unsafe sex: if so, they should bear the costs of this lifestyle. Universalist schemes contain perverse incentives: they do not encourage healthy, sober and diligent living as benefits go equally to the “deserving” and “undeserving”. Instead they encourage freeloading. The assumption that everyone is willing to work hard and not claim unnecessarily is assumed in universalistic schemes but is naive.

The Influence of Ideas, Interests and Institutions

Kangas and Palme have commented on the extent to which myth, rather than reality, is present in much of the debate on the welfare state with the battle of ideas being divorced from empirical evidence. One example of the workings of myth is the idea of the welfare state as overly bureaucratic or that it serves the interests of providers. On the contrary, they argue, the lessons of the Nordic model are that democratization can bring pressures for an expansion of social policy, and social policy can contribute to democracy. The Nordic model demonstrates considerable achievements with regard to the reduction of poverty. The role of the state is vindicated, as these countries show high levels of prosperity and rapid economic growth despite high social spending, showing that it is possible to unify social protection with competitive and growth-oriented economies (Kangas and Palme 2005).

Universal systems are thus extremely appropriate to the changed current climate and context rather than being outdated and inappropriate. The Nordic welfare model survived the test of the 1990s. From the 1990s, adjustment was made by raising taxes and restricting the growth of public expenditures but not by changing the basic structure of the national welfare model. “The Nordic countries can still thus be regarded as advanced welfare states with high public employment, universal benefit systems, extensive publicly provided welfare services, high taxes, low poverty and corporatist labour market structures” (Kangas and Palme 2005:12). Similarly, the German corporatist model survived the test of unification and has emerged as the strongest economy in Europe.

It may be, however, that this solidaristic, universal model is appropriate only to a few mainly northern European countries with particular histories and cultures.

Universal systems such as those in the Nordic countries appear to require a degree of social homogeneity. They rely on and encourage relatively high trust in government. It may go without saying that any system of social protection requires the production of a surplus so that economic growth is a precondition. However, economic growth alone is not a driver. For adequate systems of health and social protection to develop, the well-being of the population as a whole has to become a government priority in order to be a political goal (Acharya et al. 2012). The institutionalization of universal schemes has to come from government (the state) to be effective, as only the state is able to back up decisions through the application of the law and ultimately by force.

These universalist systems depend on the population being willing to pay taxes and that there are sufficient taxpayers to support the dependent population. The sustainability of

the Nordic model, for example, hinges on the number of taxpayers that can be mobilized. This is why the issue of demographic change is of such importance to the debate, as the ageing of the population may reduce the proportion of contributors to schemes (especially where contributions are insurance payments by employers and employees) unless changes are made to the age of retirement and taxation is levelled equally on the older population.

The acceptance of state responsibility for the welfare of the whole population is crucial. This may come about, as we have seen, through the necessities and experiences of war or from concerns with economic development or through capture of the state by parties promoting these interests and values.¹⁵

However, the experience of Britain and New Zealand, where radical change to the Right was implemented from the 1980s, shows that sets of institutions can change quickly and in turn shape political values and social attitudes. Yet if in one direction, why not in the other?

Social policy choices are mediated and shaped by historical and contemporary contexts, especially through the influence of ideas, interests and institutions. A process of policy feedback occurs so that sets of institutions support and develop values and attitudes (see diagrams above). These institutions can be placed on a continuum with regard to their emphasis on either universalism or targeting. This choice is not merely a technical question: the procedures adopted in deciding who is entitled, how to deliver and how to fund health and social security are themselves socially structured and have consequences, helping to form habits and values.

That is to say, the procedures of social security or social protection schemes are themselves embedded in wider institutions and link to other social and economic policies. It is the overall institutional framework which impacts on general standards of welfare or well-being in a society. In particular, social policy cannot be understood or improved without considering its connection to economic policy.¹⁶ The ISSA and the ILO both agree that “decent work” is essential to social progress (ISSA 2012, 2013). Recently the idea has gained currency of the need to pay attention to “pre-distribution” rather than redistribution in social policy. This clumsy word is a new way of retrieving older values, which formed the basis of social democratic agendas and remain the key principles in Nordic and many European countries (Hacker and Pierson 2010b, 2010a). Principally what is meant is that fair social policies rely on a context of fairer and more equal original pre-tax incomes or functional incomes, and a politics that pays less attention to organized lobbyists and more to the majority of voters.

This overview has demonstrated the important role of ideas in discussions of social security and indicated the part played by individuals and agencies in promoting certain

¹⁵ For example in Britain, during the Second World War, a new definition of state responsibility arose: “no longer did concern rest on the belief that, in respect to many social needs, it was proper to intervene only to assist the poor and those who were unable to pay for services of one kind and another. Instead, it was increasingly regarded as a proper function or even obligation of Government to ward off distress and strain, among not only the poor but almost all classes of society” (Titmuss 1950). The principle of universalism was added to that of collective responsibility, abolishing social discrimination and improving standards. “Poor Law” provision on a “standard inflexible in administration and attuned to a philosophy which regarded individual distress as a mark of social incapacity” was replaced by willingness to pool national resources and share risks (Titmuss 1950).

¹⁶ An integral part of this process has been the privatization of social policy: “the demonstrated willingness of governments to cut public spending and public sector debt has almost become a litmus test of credibility for international portfolio managers” (Standing 1999:79). Protective regulation was eroded, contracts were individualized, tax and social security contributions were avoided (p. 81) while at the same time “private pensions have become big business and pension funds have become major players in the corporate economy globally” (Standing 1999:270).

policies. Idea entrepreneurs have been significant in promoting neoliberal ideas and those of social investment in recent decades. There is now a need for new radical ideas to begin to think differently about health and social security provision to promote the value of well-being for all.

Ideas go nowhere unless supported by powerful interests in the political process. Whatever options are put forward, they need political support. Policies for social security cannot be based purely on altruism, although that has played a part in forming alliances. But it is essential to consider the interests of key groups when proposing policies if they are to have any realistic chance of being taken seriously.

A widening of the scope of social policy through government intervention has resulted from changes in the representation of groups in government. Left governments have played critical roles in the extension of social rights. With regard to interests, traditionally labour played the key role but historians have shown that the middle classes have also been very important. The alliance between middle and working classes was the base of universalistic welfare states (Baldwin 1990).¹⁷ The value of including the middle class in any social security system is that the system will be more resilient and encourage equality, and the more equal the society, the more everyone benefits through improved overall well-being (Wilkinson and Pickett 2011).

Studies have shown that earnings-related corporatist and encompassing programmes both retained middle-class support for the welfare state. The key sociological insight is to note that the structure of institutions shapes organized interest groups and makes these real, turning categories into real human associations, for example, through being involved in partnership policies and governance arrangements. Social security programmes thus have a socio-political as well as an economic role.

The political battle over social security is a distributive conflict under specific relations of power among major interest groups. The conclusion is that partisan politics matters. Socioeconomic class remains relevant in democratic politics. Distributive conflicts are generated in labour markets, and employment relations remain basic for most citizens. However, while generally universalist ideas and policies have been supported by the Left and targeting supported by the Right, other interest groups have been as important as class. In current circumstances, issues relating to gender, age and ethnicity need to be included, responding to new social risks as well as old ones. The institutions which have been the building blocks in the process of expanding social security coverage have included trade unions, local governments, mutual funds and state bureaucracies. In many systems, an important interest group are older people: some prophesy intergenerational conflict as a key issue for the future that needs to be addressed (Busemeyer et al. 2009), although the way these differences are framed is also part of an ideological attack on universalism, and it is often forgotten that today's middle aged will one day be old themselves so they may be being short sighted if they support reducing entitlements for older people.

We have seen that powerful groups have framed the debate about social security and influenced what policies have been implemented. New proposals too would have to link

¹⁷ Interestingly, Wilensky (1976) noted that conditions supporting solidarity exist where the "middle mass" does not perceive its tax burden as grossly unfair, relative to that of the rich and upper middle class, and where these strata do not feel great social distance from the poor. He observed that it was also helpful if the tax system had low visibility, for example, where there was least reliance on direct income taxes or property taxes on households and more reliance on sales or value added taxes. It was also helpful he observed if private welfare systems were limited and the military establishment was modest.

to groups contending for power in any system, especially parties, trade unions and social movements. This should be obvious but it is remarkable how often policies are discussed without any reference to who might support them.

When discussing policies, attention is paid to design but issues of implementation are just as important. Policy makers have to start from where they are, adopting a pragmatic and experimental approach, learning from others and from history, and ensuring that the policies they design are appropriate and acceptable in the national political and cultural context.

Whether change will come about depends on the potential to push through reform which varies in different systems, with more centralized systems with concentrated political authority being able to do this more easily: where authority is dispersed, attempts to negotiate a settlement are the more likely form. Differential state capacity is key in explaining differences between countries' social policies (Evans et al. 1985). State capacity refers to the ideological and administrative capacities of governments to adopt interventionist policies. Systems and policies should also aim to support and help to develop strong civil society institutions, which can act to counterbalance the power of elected governments and protect funds from short-term political battles. Measures to root out corruption in administration are essential if implementation is to be effective.

Universalism and targeting can go together. Selective provision can be added on to a universal system as a supplement not as a replacement, which could be an appropriate way for complex societies to meet diverse needs. Universal and targeted measures are not mutually exclusive. Even in universal social security systems, there is a place for social assistance linked to special needs (perhaps assessed taking into account social or medical conditions).¹⁸ The issue is the balance between the different pillars of social protection: universalism and selectivity. New social risks have appeared but it is important to note that the *old* risks remain common—such as unemployment, ill health, old age and child care—and the evidence is that these shared risks are growing, not reducing.

Issues and Challenges for Emerging Economies

A number of conditions constrain options for policies for universal health and social security. Demographic changes are occurring with increased size of populations, and in many countries, an ageing of the population is leading to a reduction in the ratio of working to dependent people, while other countries are characterized by large numbers of younger people. Changes in the labour force, especially involving increases in women working and an associated increase in precarious, insecure, part-time employment, pose challenges to traditional forms of social security. Globalization has involved increased migration, challenging notions of citizenship as the basis for social rights. All societies see increased polarization, inequality, poverty and marginalization, alongside vast increases in wealth and the attraction of values of individualism and diversity, which challenge notions of universalism and collectivism. At the same time, however, basic human vulnerabilities to sickness, accidents, old age, death, child-bearing and rearing remain and are common to all societies.

Ian Gough has compared countries on the dimensions of international factors, socioeconomic environment, political mobilization, state institutions, social policies and welfare outcomes. He points out differences in welfare regimes in the South compared to

¹⁸ For example, specific measures to compensate for women's interrupted careers (through "contribution credits" for child-rearing) were introduced in Chile.

the North to indicate that theories and explanations emerging from studies in the North cannot be automatically applied to emerging economies (Gough 2000). International factors which influence the profile of social security regimes in the South include a history of colonialism, settler societies or externally constrained development. Economic dependency in the international economy is an influential factor, with Southern countries being in a different position in the international political economy, one marked by greater levels of indebtedness and capital inflows and sectoral imbalances in domestic economies.¹⁹ This economic dependency links to degrees of political dependency in the international polity. Usually in emerging economies, a greater role has been played by international organizations, whether global (World Bank, IMF, UN etc.), supra-national NGOs, or powerful Northern states.

Socioeconomic factors which influence the potential for universal health and social security include levels of marketization, industrialization and income.²⁰ Different forms of peasantry, land ownership, kin structures, household forms and gendered relationships also need to be taken into account.

Gough argues that the emerging economies, when compared to Northern welfare states, have a different distribution of power resources. There tends to be weaker class organization of politics and more particularistic, regional, patrimonial and clientelistic forms, resulting in the “adverse incorporation” of weaker groups. State institutions may involve a less embedded, or absent, set of democratic practices. Social policies cover a greater range of functional alternatives to Western-style social protection beyond the state, for example religious, enterprise-based, NGO, foreign aid, local/communal, clan and household provision. Consumption subsidies, agricultural support, work programmes and microcredit schemes also play a part. Welfare outcomes, almost by definition, are at lower levels, except among the rich (Gough 2000).

In the current economic context, the most fundamental change has been the increase in women’s paid employment. A prominent feature is the phenomenon of informal employment, which is also highly gendered, irregular employment, as well as being simply low-paid. A key challenge for social security is how to incorporate these groups. Existing universalist systems have been criticized for encouraging dualism. Is it possible for them to be expanded to incorporate new groups? To reduce the impact of child-bearing and career breaks on benefit levels, a universal non-contributory pillar could be created. Special benefits for special groups like the disabled exist in some schemes.

Fundamental to social schemes are revenue raising and fair taxation: in the global economy a key question is how to tax the offshore rich, international oligarchs and transnational corporations, that seem able successfully to avoid national taxation. High state capacity in collecting and distributing taxes is essential to universalist schemes, resting on sound public management, sound budgets, transparent and honest politics, bureaucracies and professions and respect for a public service ethic. Arguments about

¹⁹ The degree of difference between North and South may be changing as the balance of power in world political economies alters. Indebtedness is a key problem for many Northern countries, and they too experience the intrusions of international financial agencies.

²⁰ For Guy Standing, “globalisation, technological change and the growth of flexible labour markets around the world have fundamentally changed the feasible institutional structures”. With the upheaval caused by the dominance of neoliberal policies, the economy has become disconnected from society. The relentless pressures to be flexible led to increased inequality and insecurity. A key trend has been the feminization of the labour force: “the changing role of women is perhaps the most important factor in changing the social policy agenda at the end of the century of the labouring man” (Standing 1999:81). He believes that flexible labour markets are the reality and policies need to respond: the assumption of regular full-time employment which underlay conservative and social democratic paradigms of welfare is no longer the norm.

affordability and waste have much resonance in a period where the need for sound finance is stressed. Recently social expenditure in a number of countries has been financed by public sector borrowing, creating fiscal deficits and requiring payment of interest to international finance lenders.

Other challenges for social policy lie in the fact that increased social expenditure relies on economic growth. Slower economic growth generates fiscal strain: strains result from the maturation of government commitments and the transformation of household structures as well as population ageing as well as continuing high birth rates in some cases. In addition, changes in society due to influences like migration and consumerism have led to increasing diversity in the population with regard to needs, culture and values. Thus the contemporary, relatively fragmented, heterogeneous systems of organizing political interests are environments less favourable to expansive universal social rights (Pierson 2001).

Key questions for social security are: should social benefits and services be targeted just towards those on low incomes or be universal (that is, paid to all who fall into a category of need); should benefits be equal (flat rate and the same for all recipients) or should they be earnings-related?

Those who say targeting offers the best way forward see “man” as a rational, calculating, economic actor, operating in a market, principally responding to signals sent by prices. Or, as in the behaviourist conception, as an individual striving to avoid pain and seeking pleasure, mainly influenced by incentives and encouraged by sticks and carrots. The contemporary reality, they claim, is of a general (and growing) lack of trust in government, politicians and administrators, and this creates a resistance to paying taxes. Changes in society due to influences like migration and consumerism have led to increasing diversity in the population with regard to needs, culture and values. Individuals know best what their preferences and interests are, so it is better to reduce state or central decisions about who gets what and allow as much as possible to be determined through personal choice.

These are powerful comments. Are the ethics of solidarity and mutual aid incompatible with contemporary consumer capitalism (Bauman 2006)? We have seen that universalism works best the more equal and less stratified a society is and where there is an identifiable sense of common purpose and respect for the public realm.

Policy Options

Lessons gained from historical and comparative studies can be helpful to practical policy makers concerned to improve their national systems of social protection. All societies today face common pressures of urbanization, changes in family structures, demographic change and migration. They all need to consider both paid and unpaid work, how to support caring work, include the “precariat” in social security systems and avoid dualism (Standing 2011).²¹ To support democracy, they need to strengthen civil society institutions and pay attention to governance procedures to encourage trust and reduce corruption. The state’s role, rather than being reduced, remains crucial if not as a direct

²¹ Under the banner of structural adjustment, shock therapy and other supply-side economic policies, radical changes have taken place in labour market relations, “involving erosion of protective and pro-collective labor regulations, decentralization of wage determination, erosion of employment security and a trend to market regulation rather than statutory regulation of the labour market” (Standing 1999:584). In addition, as has been made clear in the most recent crisis, financial markets became disembedded from national economies, existing in their own global space (Standing 1999, p. 66) and colonizing key spaces within global cities.

provider but as a tough regulator. States have to work together and develop supranational frameworks to challenge powerful international forces and to respond to international migration (Kaur 2010).²² Any effective social security system requires a reliable, honest and efficient financial administration to collect and redistribute resources.

The current context in which discussions about social security are taking place has been defined as a “second modernity” characterized by global ecological and economic crises, widening transnational inequalities, precarious forms of paid work and other challenges of globalization that nation states cannot manage efficiently on their own.²³

When evaluating proposals for social protection schemes, the key question is whether these do or do not extend social rights. The idea of human rights now plays a central part in discussions of social policy.²⁴ Universalist systems assume the existence of universal human needs, a common humanity: all humans are seen as having basic needs in common which cannot be reduced to individual or cultural preferences (Doyal and Gough 1991). This commonality also supports the value of experiences gained in one country in informing decisions made in another.

What then are realistic options for social security? The minimal requirement would be for a social safety net as proposed by the World Bank and other global policy makers. The ILO alternatively proposed putting in place a global social protection floor as part of its Global Campaign for Social Security and Coverage for All, with the concept of the floor being critical as the foundation of a future project to build more expansive social security. (A riveting account of how this came about is given in Bob Deacon’s recent book; Deacon 2013). A broad definition of Dynamic Social Security has been presented by ISSA. This would involve innovative and evolving policies and processes geared to better ensure accessible and sustainable social protection systems that not only provide protection, encourage prevention, and support rehabilitation and reintegration but also contribute to better realizing socially inclusive and economically productive societies (McKinnon 2009).

The requirements of effective systems are efficient and effective collection of contributions/finance, processing of claims, and payment of benefits. These systems would advance, at the very least, basic income security and access to health care for all. Such schemes would need to guard against any tendency towards minimalist or residual provision in social protection and promote quality, access and an adequate range in health care systems. Innovative systems would involve working in partnership with other social policy actors, including non-statutory social protection programmes and civil society initiatives. State social security could collaborate or work together in a mixed model of welfare, including community-based micro-insurance programmes, employment-based welfare funds, or non-contributory social pension programmes.

Others argue that universal social development goals should be financed largely by tax revenues (and development aid). These views too stress the key social goal of providing basic income security and health care for all. The authors of *Good Health at Low Cost*

²² Key features of the globalized context are the growth of numbers of migrants and migration over long distances: there are now one billion migrants around the world who would be excluded from insurance schemes based on nationality. See also ISSA (2011b).

²³ Beck and Lau 2005; Dixon 2009; Crouch 2011; Standing 1999.

²⁴ Townsend 2002; Schrecker 2011; Pfeiffer and Chapman 2010. Articles 22 and 25 in the Declaration of Human Rights deal with the rights to an adequate standard of living and social security. Article 22 states that everyone as a member of society has the right to realize the economic, social and cultural rights indispensable for their dignity while Article 25 states that everyone has the right to a standard of living adequate for their health and wellbeing, especially mothers and children.

(2011) see access to primary health care as the crucial requirement. Good health policies are more likely to emerge in supportive social policy and political contexts: this involves legislation, stakeholder partnerships, improved gender relations, bureaucratic effectiveness, an improved sense of solidarity and recognition of the role of civil society (Balabanova et al. 2011).

Feminists have argued that social insurance systems need radical change if they are to recognize care work as a civic duty of equal value to paid employment and recompense care with contributory benefits (Pascall and Lewis 2004:382). The critical challenge is to rethink labour markets to bring unpaid care work, and particularly the reproductive sector, within the frameworks of analyses of the economy and markets, while also addressing the inequalities inherent in welfare systems that privilege market and labour-based contributory entitlements over needs-based claims to social assistance (Cook and Razavi 2012). Policy proposals should recognize unpaid care work as a valuable social contribution, provide accessible and affordable well-regulated child care and provide decent employment (Cook 2012).

Orloff, too, has argued that the question of women's employment is now central to social policy because of changes in labour markets (Orloff 2002). Relevant factors include women's rising education, the decline in men's wages, declines in fertility and the instability of marriage. A key issue for social security then is how care giving is treated—are credits for care awarded within social security, are there maternity benefits and provision for parental leave? An emerging division is between dual earner households and single earner households. Low income in adulthood presents a higher risk of poverty in old age.

Standing has argued that there is a need to develop a blueprint for a global social security policy. Rights should be accorded on grounds of residence not citizenship, allowing migrants access to services and benefits. He supports the idea of a basic income ((Standing 2011). Every legal resident of a country or community, children as well as adults, should be provided with a modest monthly payment. Supplements for special needs such as disability could be included. These would be paid to individuals and would be universal in being paid to all legal residents in the form of cash and without conditions. Above this level, individuals could earn but such income should be subject to tax.

Arguments in favour of basic or citizens income are that it would sweep away divisions between deserving and undeserving and provide basic security to all, allowing individual flexibility in job search and combining care and employment. To implement it, however, would require other changes and controls, for example on migration, rents, housing, health and social care costs as, without supplements, for some people a basic income would be inadequate to provide an overall adequate standard of living. However those who argue for basic income do not see this as a way to solve everything but as a way to begin to think differently—to begin a process of regenerating progressive ideas in contemporary societies.

Arguments against basic income are that it would lower labour supply, would be unaffordable, and a hand-out. Deacon and Cohen also see problems with a basic security model: “our hypothesis is that, in the long run, basic security institutions are likely to generate a split of interests and identities between middle classes and workers” (Deacon and Cohen 2011:431). This is the conclusion of this paper too. Throughout we have seen that alliances need to be forged between the middle and working classes if sustainable, universal systems are to be attained and the power of the super-rich challenged. Basic

security systems offer only low replacement rates, insufficient to maintain the living standards of the better-off workers and citizens, who are then tempted to participate in private solutions: the more the middle class move to private provision, the less support they will give to public programmes. Targeted programmes also split the working class, separating the poor from the better-off workers. Overall such systems produce increased fragmentation and division and reduce solidarity (Deacon and Cohen 2011).

Deacon and Cohen thus support the important role of the middle class in helping to expand state responsibility for social welfare and a minimum standard of living. They argue that strengthening the middle class can contribute to improving the quality of life of the more vulnerable population (Deacon and Cohen 2011). They see a need to promote a global politics of solidarity geared to equality, social mobility and collective welfare.

However, there need not be a hard and fast choice between basic income and earnings-related social insurance. The two can be combined in a way that meets basic need but also encourages middle-class buy-in to the system. Ferge (1997) noted that historically social insurance developed to deal with what were then the new risks of an industrial mass society as the old ties linking generations and small communities were weakening. Now she thinks further changes in labour markets would call logically for an increase in social insurance, rather than its weakening. One way to make social insurance programmes more inclusive would involve mandatory affiliation and subsidies (Razavi et al. 2012).

Pensions too would require a government-financed solidaristic pillar. There is value in multi-tiered programmes with contributions from employers, employees and state subsidies. To meet the fiscal and demographic challenges, there is a need to increase employment among the older groups. Social security needs to link to general systems of taxation, and there are good arguments for including property wealth in assessments for tax purposes. Savings should be encouraged. While there seems now to be greater acceptance of a rights based approach to social security, it has to be sustainable (Asher 2009).

A key variable to bear in mind in assessing the potential for universal social security lies in the element of state capacity. Necessary capabilities for efficient systems include information collection, computing capacity, data analysis, risk assessments, and the reliability and integrity of systems. Trust in government is essential for the functioning of all systems but especially so for the universalist: government—politicians and state employees—have to be seen as competent and as representing the national interest. This could be promoted through education and training, open meritocratic entry and transparency of appointments and payments. If the state cannot be trusted to carry out its functions honestly and efficiently, then it might be preferable to hand over administration of social security to NGOs, mutual funds or independent social insurance funds as a temporary measure, since an increased level of social security, including education, would enhance the capacity of the state.

Conclusion

The solidaristic welfare state is the exception. However, it is an ideal to work towards. The idea of a citizen's or resident's income is also idealistic at present, although a basic income for children, the disabled and elderly could be a starting point. With rising expectations, demands for protection against unavoidable risks and higher quality social provision will increase. Lessons can be learnt from experience of different systems. But models cannot be imposed or simply transferred across countries. Policies need to be

acceptable and appropriate, fitting in with the national context, respecting the legacy of previous policies and values and customs.

There is a need for realism in proposing policies. Most countries have a form of capitalist economy and thus social security and the wage system are critically interlinked. The countries that have institutionalized methods to correct inequalities and injustices, and have developed democratic systems of government with strong civil society associations, show higher levels of overall well-being. The most resilient and stable systems of social security are those organized around a principle of social insurance, binding the majority together—including the ordinary and middle class workers—and recognizing the value of care work. For social security systems to work well, they need to be located within a fair wage system and progressive tax structure and supported by a comprehensive set of integrated economic and social policies. Developing universal social security is only one—but an important—part of a wider agenda for social reform.

There are strong opposing forces within financial capitalism to any moves towards more progressive social and health policies and many of these operate at a remote level and are deliberately concealed. The argument of this paper has been that ultimately decisions are made by groups of people acting together politically to promote their vision. Politics matters—and can offer the promise and opportunity for change, building on analyses and experience with organization and willpower.

Appendix: Notes on Social Security Provision

Within welfare regimes, social security is a particular set of arrangements. These may include risk-pooling social insurance programmes, poverty alleviation social assistance programmes, universal tax-financed programmes, individual account (public and private) savings programmes, or mandatory private insurance.

Social security is now often referred to as social protection (to avoid confusion perhaps with US old-age social security programmes) but this tends to ignore its contribution to social production and social reproduction. It is taken to include measures such as unemployment insurance, pension programmes, direct social assistance to poor households and labour market regulations. A wider definition might involve systems of paying for health care. In some countries, however, health care is provided as a public good. Other related social provision such as education may either be paid for directly or be provided publically. However as outlined long ago in the Beveridge Report (1942), policies for social security need to be set in the context of other policies to understand their impact and to be effective, such as policies for employment, health care, housing, education and training. Social security is one important policy lever but it works best if in harmony with other policies.

In the nineteenth century, Bismarck led the way in Germany with insurance for health (1883), accident (1884), disability and old age (1889). These involved distinct programmes for different class and status groups. State insurance acted to tie the worker as a citizen into loyalty to the government and offset the appeal of socialism. This type of system led over time to a complex array of specific insurance funds often involving a privileged position for civil servants. State-sponsored insurance systems on a national scale were instituted in all European countries during the first third of the twentieth century. Key elements involved income guarantees to provide for risks such as unemployment, sickness or old age and public provision to meet needs such as for health, education and housing. Through the twentieth century, forms of unemployment insurance developed²⁵ (Alber 1982). While there was a general trend to provide unemployment insurance, the timing and pace of development varied markedly. The development of minimum income (MI) schemes was similarly varied in Europe²⁶ (Figari et al. 2013).

A key trend was for the state to become involved in social protection. Initially, unemployment was met through trade union, mutual support, schemes and local government schemes. The development of state-sponsored insurance schemes on a national scale followed two basic approaches, either subsidized voluntary insurance or compulsory insurance. Alber notes that three common features encouraging these developments were major economic depression, the organization of labour parties, and underdeveloped trade union funds²⁷ (Alber 1982).

Recent developments in pensions schemes have involved the encouragement of multi-layered schemes and a move from public (backed by a pay-as-you-go scheme/PAYG and

²⁵ Britain had its first compulsory insurance scheme in 1911, Italy in 1919, Austria in 1920, Ireland in 1923, Germany 1927, Norway in 1938, Belgium in 1944, the Netherlands in 1949, France in 1967 and Switzerland in 1976.

²⁶ Britain introduced legislation in 1948, Denmark in 1961, Germany in 1962, the Netherlands in 1963, Belgium in 1974 and France in 1988. Adopting features of the French *Revenu minimum d'insertion* (RMI)—a welfare payment designed to encourage social reintegration—Spain introduced MI in 1988, Portugal in 1996 and Italy in 1998.

²⁷ Trade unions were not enthusiastic about state provision, sensing that state participation would threaten union autonomy. Other issues were divisions between skilled and unskilled workers and the question of whether benefits and contributions should be flat-rate or not: there was often resistance to the idea that better-off workers should foot the bill for their higher risk colleagues.

Treasuries) to occupational and private pensions managed by profit-making corporations as well as a move from defined benefits to defined contributions.²⁸

As they have developed historically, many schemes have provided better benefits for public officials. The self-employed have often been in a separate system. Occupational pensions have been negotiated with wage agreements. Currently there is emphasis on the value of portability to encourage mobility of labour. With privatization, there have been examples of mis-selling and scandals.

While the Scandinavian/social-democratic welfare states built their pension systems on the “encompassing security model”, which includes the provision of earnings-related benefits on top of a universal basic provision (Ferragina and Seeleib-Kaiser 2011:592), the Washington consensus approach to pensions has been to argue for a three-pillar scheme: primacy to mandatory, funded, privately managed, personal accounts or occupational plans funded by savings; a secondary state pension at a low level funded via low taxes; and a third level of voluntary personal plans.²⁹ Overall, the direction of reform is towards more individualistic and unequal schemes which suit those with regular well-paid jobs but are poor for the low waged or members of the “precariat”.

With regard to income maintenance for the adult working population, health and social insurance and social assistance, the evidence is that universalistic systems produce the best outcomes. The Nordic countries are well-known for their low poverty rates and modest income differentials, correlating with low infant mortality and longer life expectancy. These outcomes are closely related to a relatively universal social insurance system but also to high employment rates.³⁰

Income taxes claw back social insurance payments in high-tax countries such as Denmark, Finland, the Netherlands and Belgium. In the post-war period, Germany has continuously added new groups of previously non-covered citizens to social insurance, establishing what can be called a “quasi-universal” social insurance system. Due to relatively meagre social insurance benefits, means-tested schemes have come to play a more prominent role in the distributive process in the Anglo-Saxon countries than in the Nordic and Continental European welfare states.

Health insurance is an important and often neglected aspect of social protection among the adult working population. When this is taken into account, the profile of a country’s social protection system can change substantially. For example, the role of employers in the health insurance market in the United States is substantial (Castaneda and Marton 2012). Health insurance is an important component of the total compensation package offered to either individuals or groups.

²⁸ The pension received would no longer be defined as a proportion of final salary or average salary, influenced by the number of years a person had contributed, but would be calculated in terms of the actual amount the individual had contributed, involving generally reduced employer or government contributions. When people are living longer and interest rates are low, firms stop offering final salary pensions. Protection of pensions from inflation is an issue. Many adults have not put aside enough to provide an adequate pension in old age. Increasing the age of retirement is necessary to match increased life expectancy but not all groups are equally healthy in old age and employment when chronically sick can be difficult.

²⁹ The ILO has argued for a slightly different three-tier model involving a flat-rate, means-tested, basic pension, a middle tier of compulsory, defined benefit funded through PAYG, and a voluntary, private tier either defined benefit or defined contribution.

³⁰ “Welfare states with the lowest universal and earnings-related benefits, as well as low utilization rates of public child care, and thus heavily reliant on means-tested benefits in the provision of economic resources to poor families, also have the highest poverty levels” (Kangas and Palme 2005:7). “Countries with market oriented family policies, largely reliant on targeted benefits and services to the poorest families, have the highest poverty levels, contrary to what proponents of selective measures would predict” (Kangas and Palme 2005:8).

Saltman has reviewed schemes labelled social health insurance³¹ and noted that up to 50 per cent of the funds may come from public taxes or out-of-pocket expenses. While a key feature of such social health insurance schemes (SHIs) is the presence of statutory requirements, they also may involve privately owned and operated funding arrangements (Saltman et al. 2004). While not all citizens may be covered by such schemes, a key feature is that they are very popular and stable. SHIs are structured on principles of solidarity and collective responsibility not on actuarial principles, and they reflect and reinforce embedded social values. This support for civil society institutions strengthens intermediary layers in society and adds stability and resilience to the health system and more generally to society.³²

Recent changes in the United States with the passing of the Affordable Care Act of 2010 may have important impacts on general health and well-being in that country, although difficulties in acceptance and implementation are emerging. This health care reform may be more accurately described as health insurance reform legislation rather than health care reform legislation, since it primarily focuses on increasing the rates of health insurance coverage (Castaneda and Morton 2012:32). Once implemented, all adults will be expected to have health insurance.³³

A strong argument has been made that with globalization, employment-based systems of insurance are a burden on firms' competitiveness. Reforms are needed which, it is said, would shift risks from firms to the nation to assist in improving the international competitiveness of national enterprises.

Income-tested transfer programmes range from the very narrow in the United States to quite broad in Australia. The key questions then may be whether these schemes are adequate to meet the needs of recipients, how are they targeted and on whom are they targeted? With retrenchment, the move is to tighten eligibility rules and reduce benefit levels: "the push for (downward) flexibility among the low skilled implies a hardening of conditions for income support to those out of work, justifying stricter eligibility, benefit cuts and even outright abolition of programmes" (Pierson 2001:435). Attention has to be paid to coverage and adequacy of schemes.³⁴ The guarantee of a decent minimum standard of living for all is easier to promise than to achieve. A 2010 resolution of the European Parliament acknowledges MI schemes as a key instrument in combating

³¹ This social health insurance form is found in health care systems in Western Europe in Austria, Belgium, France, Germany, Luxemburg, the Netherlands, Switzerland and also in Israel. Some Central and Eastern European countries have also adopted such schemes. Tax-funded schemes as an alternative form are found in Denmark, Greece, Italy, Portugal, Spain, Finland, Sweden and the United Kingdom.

³² In a systematic review of 34 studies of national health insurance schemes in low- and middle-income countries, evidence on their effectiveness was inconclusive. Problems included low enrolment, but high enrolment was not correlated with better outcomes. Enrolment varied from 20 to 90 per cent. There is no strong evidence to support scaling up such programmes. The health insurance scheme must be designed to be more comprehensive in order to ensure that the beneficiaries attain desirable levels of health care utilization and have higher financial protections. Barriers to access to health care included lack of awareness and long distances to travel to facilities (Acharya et al. 2012).

³³ In the United States today, there remains a mix of universal and selective programmes. Universal programmes such as the veterans' programmes, federal employee and general retirement and disability, Medicare and Social Security (both for elderly people) have all continued to grow. By contrast, means tested programmes—Medicaid, food stamps, Supplemental Security Income (SSI, for the blind, disabled or low-income people who are either 65 or older) and Earned Income Tax Credit (EITC)—have borne the brunt of cuts, especially the latter two (Sachs 2011:215): "universal programmes make up two thirds of the mandatory spending—roughly ten per cent of GDP" and there is strong public support for these and little room for cuts—indeed with ageing of the population, expenditure is likely to increase (Sachs 2011:215).

³⁴ In a comparison of Minimum Income schemes for persons of working age in the European Union, Figari and colleagues found that in several countries some individuals are ineligible for MI even when they fall below a poverty line set at 40 per cent of median income. And in certain countries, a large fraction of those entitled to MI remain at very low levels of income even when MI benefit is added (Figari et al. 2013). A study by Nelson (2010) found that hardly any of 27 countries reviewed from 1990 to 2005 had moved to provide social assistance benefits above or near the EU near poverty threshold. Social assistance benefit levels have not converged in Europe—divergence is due to lagging development in Eastern and Southern Europe.

poverty. When it is found that some are excluded from such schemes, a question is whether this is due to design or failures of administration. A related question is how effectively do they lift people out of poverty? Figari and colleagues' (2013) results show that social safety nets may be less tight than is commonly believed. Categorical conditions can exclude potential beneficiaries (for example, the requirement of having a stable residence). Some countries offer both better coverage and more adequate MI benefits than others, while in other countries there seems to be an implicit trade-off. Currently many of those losing their jobs in the recession in Europe may be ineligible for standard unemployment insurance or may exhaust entitlement before finding a new job. MI schemes seen as benefits of last resort may become the main or only social safety net for large numbers of people. MI benefits seem to perform better in the context of a well-functioning labour market and strong welfare state than when they are the only game in town. Thus the wisdom of a general shift to means-tested benefits is questioned (Figari et al. 2013). They do, however, play an important role as efficient shock absorbers and have a counter-cyclical role—but only if coverage and adequacy are sufficient.

The set of welfare reforms which abolished Aid to Families with Dependent Children are taken as the paradigmatic policy change in the United States and influenced policies in other countries: “all the liberal countries have introduced significant wage subsidies operated through systems of taxation for at least some of the working poor—usually families with children” (Pierson 2001:436). In workfare schemes, the key debate is around the extent to which the participation of low-skilled workers in the labour market should be subsidized. “Make work pay” arguments involve supplementing poverty level wages with various forms of targeted social provision. Social assistance programmes that aim to fill the gap with targeted transfer payments may reinforce traditional gender roles, effectively replacing a portion of private transfers with public transfers but not fundamentally altering household dynamics (Molyneux 2006, 2008).

As a contemporary form of targeting, CCTs have grown remarkably. Here cash is available only if people conform to certain standards and fit into set categories. Financial incentives and penalties aim to steer people to behave in acceptable ways, and failure to meet these standards is used to justify taking money away from poor people. Poverty is not seen as the result of inequalities but of misguided and irresponsible behaviour, demonstrated especially through inter-generational transmission of deviant cultural norms among an “underclass” (Katz 1989). This form of libertarian paternalism, informed by behavioural economics and variants of psychology, informs social policies in both rich and poor countries (Mead 1997). Workfare is intended to break habits of worklessness, assuming that long-term unemployment is a result of bad choices not the lack of permanent, secure and adequately paid jobs. Dependency is assumed to be a psychological and cultural condition which can be remedied only by schemes to change individual behaviour.

Targeted schemes, while justified as streamlining and simplifying, in practice become complex and elaborate, and trap those relying on them. This is because, in reality, they operate in a complex situation where other costs, such as for housing, transport, health or child care, have to be factored in and vary between individuals and over time. Such schemes are expensive, involving high administrative costs—and largely provide profits for contractors and work for consultants, coordinators and trainers rather than benefit for claimants. Those who do not want to suffer such indignities or waste their time simply stop claiming and find other means to make ends meet. Research concludes that targeting mechanisms used by conditional cash transfers (CCTs) have been successful in identifying the income poor but have not fared so well in identifying households that

underinvest in human capital. If targeting is to be maintained, there is a need to develop effective multidimensional approaches (Azevedo and Robles 2013).

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