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world summit for social development

after the golden age: the future of the welfare state in the new global order

by gøsta esping-andersen

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preface

The World Summit for Social Development, to be held in Copenhagen in March 1995, provides an important opportunity for the world community to focus attention on current social problems and to analyse the dimensions, roots and directions of social trends. In particular, the agenda of the Summit specifies three areas of concern: the reduction of poverty, the generation of productive employment, and the enhancement of social integration. UNRISD work in preparation for the Summit focuses on the last of these: as countries confront the seemingly intractable problems of social conflict, institutional breakdown and mass alienation, the topic of **social integration** has assumed increasing importance in public debate.

The UNRISD Occasional Paper series brought out as part of the Social Summit preparatory process takes up a range of issues relating to social integration. This paper examines the important and complex issue of welfare provision in selected regions in an era of increasing global integration. Over the past half century or more, citizens of the industrialized world have attempted to promote social justice and solidarity in part through creating the set of public programmes and policies now broadly known as the "welfare state". Within a structure of negotiated rights and obligations, it has been possible to provide varying degrees of social protection for the unemployed, the poor, the sick, the handicapped, the very young and the old.

Global economic integration, within a free market context, now poses new challenges for the welfare state. The virtually instantaneous mobility of capital in unregulated markets seriously affects the capacity of governments to regulate national economies; competition for capital and markets increases pressure to adopt a low wage strategy, including a reduction in the cost of social benefits and weakening of labour standards; and the twin goals of maintaining acceptable levels of employment and defending the principles of equity and solidarity seem increasingly incompatible.

At the same time, the social structure of the developed countries is changing rapidly. The "model family", built around a single male breadwinner, which stands at the centre of the welfare state model in many countries, is no longer the norm. There is a growing tendency — more in some countries than in others — for women to play an increasingly active role in the paid labour force. The industrial working class is losing importance in relation to service sector employees. The much greater occupational and life cycle differentiation that characterizes "post-industrial" society implies new risks and creates more heterogeneous needs for a great many people.

In the following paper, Gøsta Esping-Andersen explores the challenges which these and other developments pose for existing welfare state policy in various regions of the world. Drawing upon research carried out within the UNRISD programme on **The Future of the Welfare State**, he suggests that since the early 1970s we can identify four distinct patterns of response to changing economic and social conditions in the industrialized West.

Until recently, the Scandinavian countries followed a strategy of welfare state-induced employment expansion in the public sector, which brought a very high proportion of women, the young and the old into the labour force and thus reduced welfare dependency ratios. Faced with problems of slow growth, budget deficits and growing foreign competition, these governments are compelled to reduce public employment and trim generous welfare benefits. They are shifting from public employment promotion to greater reliance on private sector growth, while strengthening long-standing public commitments to training and mobility. Thus Scandinavia appears to have accepted the view that greater inequalities are unavoidable, but seeks to build in guarantees against these being concentrated in any particular social stratum, or becoming permanent across people's lifetime.

Britain, New Zealand and the United States have favoured a strategy of deregulating wages and the labour market, combined with a certain degree of welfare state erosion, which has stimulated the growth of employment at the cost of increasing poverty and polarization. Australia and Canada, in contrast, have combined liberalization with an effort to ensure that those most at risk receive increased benefits. They have enjoyed a growth of employment equal to that of the United States, but without an alarming rise in poverty.

Finally, the Continental European nations, like France, Germany or Italy, have relied increasingly upon a reduction of the labour force which has worsened unemployment and increased welfare dependency ratios — leading to a particularly serious fiscal crisis in the welfare sector. To deal with the problem, these nations may well be required to encourage more flexible employment for women and youth, and to lessen family dependence upon a single male breadwinner.

Clearly, national institutions are of central importance in shaping national responses to the challenges posed by global economic integration; and there is little reason to suppose that the future of welfare states in the industrial West will be unidimensional. Diversity seems also to be the hallmark of current efforts to design welfare policy in the newly democratic, industrial countries of East Asia, Eastern Europe and Latin America. Both low unemployment and a tradition of family-based solidarity have permitted fast growing East Asian nations to neglect development of a modern network of public support for vulnerable groups and to rely heavily on private pensions and insurance. But rapid population aging, combined with urban migration and industrial restructuring, have now placed the issue of welfare state construction firmly on the public agenda.

While East Asian countries seem likely to strengthen the role of the state in the provision of social services, Eastern European nations — as well as a number of countries in Latin America — are following an opposite path. Within a context of deep economic crisis and institutional collapse, radical market-oriented reforms have been linked to privatization of social insurance, reduction of public services, a shift toward targeted assistance and deregulation of the labour market. The Chilean experience is widely considered to be a model in this regard, although its social costs have been extremely high.

Finally, a few Latin American countries (like Brazil and Costa Rica) have taken steps toward strengthening social policy and orienting it in the direction of universalism. Nevertheless a number of macro-economic uncertainties, including the burdens of high indebtedness and (in the Brazilian case) inflation, make it difficult to sustain such policies.

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November 1994

Dharam Ghai
Director

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