

The Transformation of the Welfare State
What is left of public responsibility?

by:

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abstract:

In this article the transformation of the welfare state is investigated with regard to the consequences in terms of public responsibility. First the transformation process is analysed. What are the motor and the direction of the process of transformation? Next the consequences of the transformations in welfare policies are investigated. The hypothesis is that although the notions of 'new welfarism' and the 'enabling state' are adequate descriptions of what is going on, they do not necessarily lead to a surrender of public responsibility. On the contrary, next to a certain reduction of public responsibility, at the same time displacement and reinforcement of public responsibility can be observed. These three apparently contradictory developments result from the political wish to rescue the welfare state from the logic of international competition and endogeneous inefficiency, by combining public responsibility with a certain liberalization, by combining social investment with individual responsibility.

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1 Towards a 'new welfarism' ?

The 'golden age' of the welfare state was short. It started some years after the Second World War and came to an end in the beginning of the 1970's. The combination of an activist state, Keynesian economic policy and universalist social policies in the modern mature welfare state, is, in retrospect, rather exceptional for the modern capitalist state. Since the golden age of the welfare state and in reaction to pressures towards reform and retrenchment, a 'new welfarism' is born, which is monetarist and post-Fordist. Taylor-Gooby summarizes this 'new welfarism': "The sociology of post-Fordism has facilitated the development of a new welfarism which suggests that economic globalization, labour market flexibility, more complex patterns of family life and the dissolution of traditional class structures require a new welfare settlement. Since full employment, redistribution and expensive universal services are no longer seen as feasible, the new welfarism can only justify social spending as investment in human capital and the enhancement of individual opportunities. Welfare states are all driven in the same direction by the imperatives of international competition." (Taylor-Gooby 1997: 171)

A post-Fordist welfare state that focuses on investment in human capital and the enhancement of individual opportunities is often called a *social investment state*, for example by Anthony Giddens (1998) and Esping-Andersen (2001). Giddens still sees the social investment state as a welfare state, but as a welfare state in which public responsibility has changed from protective to preventive, in which public policies are directed at empowering people and communities and in which notions of 'positive welfare' prevail. Gilbert in his book *The Transformation of the Welfare State* (2002) prefers to talk about the *enabling state*. Gilbert characterizes the transformation towards an enabling state as a shift "... from the idealtypic Scandinavian model of social welfare to a market-oriented version, which is identified with the Anglo-American approach..." (2002: 4) For Gilbert this is a '*silent surrender of public responsibility*' (the subtitle of his book).

In this article I will investigate the opposition concerning public responsibility between the notions of the social investment state and the enabling state. I will analyse the developments in public policies in European welfare states in some detail and will ask the question what they mean in terms of public responsibility. Will they actually lead to a reduction of public responsibility, as is suggested by Gilbert, or to a more qualitative change, a change that does

not fundamentally undermine the notion of public responsibility that is built into the idea of a welfare state, as is suggested by Giddens?

My hypothesis is that although the notions of ‘new welfarism’ and the ‘enabling state’ are adequate descriptions of what is going on, they do not necessarily lead to a surrender of public responsibility.¹ On the contrary, next to a certain reduction of public responsibility, a displacement and reinforcement of public responsibility can be observed at the same time. These three apparently contradictory developments result from the political wish to rescue the welfare state from the logic of international competition – and endogenous inefficiency (I add) - by combining public responsibility with a certain liberalization, by combining social investment with individual responsibility.

In the next section I first discuss the notion of ‘new welfarism’ and its possible consequences for the social policies of a post-Fordist welfare state. Having done that, I subsequently discuss the developments in public responsibility and welfare policies following three possible routes: the reduction, displacement or reinforcement of public responsibility.

2 New welfarism and social policy

Public policies are continuously changing. However, the idea behind the ‘new welfarism’ thesis is that changing social problems make fundamental changes in social policies unavoidable. The logic of international competition requires a welfare state that is lean, flexible and suited to a post-Fordist economy. Following the so called ‘There is no Alternative’ (TINA) approach: globalization washes over local economies and the erosion of the welfare state is inescapable. Taylor-Gooby links the TINA-approach with what he calls a ‘new’ sociology. ‘Old sociology’ is concerned with class, capital and the state. In a globalised world the new sociology is concerned with fragmentation and diversity. The new social problems that exist in a fragmented and diversified, globalized world are complicit with welfare reform in line with new welfarism. The obvious rebuttal of the TINA-argument is the fact that national welfare trajectories are still very distinct, so politics still appear to make a difference. Moreover, while the social problems of fragmentation and diversity do exist, they do not replace the old social problems of capital and class.

Hay points to what he calls the debilitating consequences of the new welfarism in its TINA-form. Referring to Hall (1989) Hay raises the issue that the political power of ideas –as for example ‘new welfarism’- is not circumscribed by the harsh economic realities and inexorable logics of competitiveness and globalization, but by the *perceptions* of such logics and realities. “Once the mediating role of political ideas is considered (another) solution ... becomes ... available: *the space for alternative welfare trajectories does indeed exist, but it is no longer perceived to exist.*” (italics in original, Hay 1998: 529)

So, new welfarism, the ‘logic of international competition’, is politically mediated as was the ‘logic of industrialism’. The logic of industrialism after all produced very different welfare states, and the logic of international competition can likewise affect different welfare states in different ways. The conclusion must thus be that although a tendency towards ‘new welfarism’ may exist, it does leave room for alternatives. This is however highly dependent on the strength of the logic of international competition. The strength of this logic is probably most dependent on the extent to which economic sectors are exposed to international competition. Employers, unions and workers in exposed sectors are much more concerned with containing upward pressure on labour costs than their equals in sheltered sectors. (Katzenstein 1985, Schwartz 1994, Clayton and Pontusson 1998)

The reversal of the TINA-argument is the argument that despite changing conditions there is little change to be expected. (Pierson 1996) Both the logic of old- and new politics predict strong opposition to welfare state retrenchment, either from working-class parties or from groups that have interests in the existing welfare programs. Therefore strong retrenchment is not to be expected.

However, we have to take into account the fact that, despite political opposition to restructuring and retrenchment, fundamental change is not to be excluded. As Pierson has argued (1994), programmatic change – that is, change that affects the content, level and range of social rights - is not easy to realize because it will be difficult to organize political support for programmatic changes. Systemic change however, that is change that primarily affects the administration, financing or implementation of programmes, is easier to realize, but it can have important programmatic consequences that are not directly visible but manifest themselves in the longer run. Systemic change in the organization and political structure of social insurance in the Netherlands in the 1980’s has for instance enabled programmatic change in the 1990’s. (van der Veen et al. 2000) A first wave of welfare reform in the 1980’s left the arrangements of social protection largely intact but a second wave of reform in the

1990's was more substantial (Bonoli and Palier 1998) The interaction between systemic and programmatic changes made this possible. Reformulated in institutional terms: the restructuring of the welfare state was at first path-dependent, but in the longer run innovative reform appeared to be possible. The welfare state itself will thus in the long run not arrest the logic of new welfarism.

An important criticism on contemporary, comparative welfare research that has consequences for the 'new welfarism' thesis, is that it approaches welfare states with models and theories of a far too general nature. The centerpiece of recent welfare state research, Esping-Andersen's idea of welfare regimes, illustrates this. Although theoretically an interesting concept, most countries do not fit a particular regime: they should be characterized as hybrids or as another regime type altogether. As ideal-types the regimes create confusion. According to many authors the reality of changing welfare states is much more complex than is suggested by the concept of regimes. Most countries practice a disjointed set of welfare policies due to the fact that policies in different fields have different histories, involve different sets of actors and vary in their policymaking process. (Kasza 2002) Reform in health care, social insurance or labour market policy can therefore be of a completely different nature. Comparative research of welfare states therefore has to be policy-specific. A less broad theory of welfare systems than that of welfare regimes makes more policy change visible and is also better able to explain change and variations between countries. Differences in institutional history and in the socio-political constellation of policy fields explains different trajectories of policy reform. (Bahle 2003)

The notion of 'new welfarism' on the other hand suggests a certain convergence between different welfare regimes. All welfare states are subject to the same logic of international competition and therefore will develop new policies based on monetaristic and post-Fordist principles. Retrenchment is unavoidable. However, being subject to the same pressures does not have to lead to convergence or overall-retrenchment. In line with the arguments used above, the consequences will vary. "The complexity and sociological richness of what is going on render debates about convergence or divergence in welfare states superficial and not very interesting." (Daly 1997)

My provisional conclusion is that welfare states will change in reaction to the different pressures towards reform that they experience. The developmental mechanisms do not halt change. Neither do they coerce all welfare states in the same direction, convergence is not to

be expected. In different policy fields different developments will be observed. This however does not exclude a certain convergence in terms of overall philosophy: policies will have to be adjusted to the new reality of international competition but the kind and degree of change will vary from field to field. What these changes look like in terms of public responsibility will be the subject of the remainder of this article.

Welfare state development is either discussed in terms of retrenchment, convergence and path-dependency, in relation to regime types, or in terms of a dazzling variety of changing policy trajectories. When we look beyond the veil of general regime-types and policy-styles and past the confusing variety of everyday policy-change, a change in overall philosophy can be observed. Gilbert has summarized this philosophy in four tendencies that characterize policy change in most western welfare states: privatization, recommodification², selective targeting and conditional solidarity (Gilbert 2002: 44).

The first trend is a shift from public provision of services towards privatization, thus introducing the price-mechanism and competition in public services. Secondly, the protection of labour is traded in for the promotion of work. Thus decommodification, which was typical for the welfare state in the golden age, becomes recommodification. Recommodification implies duties, incentives and sanctions, and new services directed at social inclusion. Universal entitlements are, thirdly, replaced by more selective targeting. Entitlements are becoming gradually more and more limited to the needy and the deserving. Finally, the solidarity of citizenship is exchanged for the solidarity of membership. Unconditional social rights are transformed in the conditional solidarity of shared membership.

I do agree with Gilbert that these four trends do adequately describe the overall developments in welfare policies (van der Veen a.o. 2000), but there still are important differences to be observed between different welfare states.

In the remainder of this article I will investigate the overall tendencies Gilbert sketches, in particular the consequences of these tendencies for public responsibility. I thus follow Gilbert in his diagnosis of the main developments that are taking place in welfare state policies. I do not follow Gilbert in his thesis of the silent surrender of public responsibility. Following Giddens, it might be possible that the social policies of an enabling state (or in Giddens' terms 'a social investment state') embody a new public responsibility ('positive welfare'). So, the

surrender of public responsibility is not self-evident. Analytically I distinguish three possible consequences of a development towards an enabling state: reduction of public responsibility (Gilbert's thesis), displacement of public responsibility and reinforcement of public responsibility. My hypothesis is that all three consequences manifest themselves.

3 The reduction of public responsibility

The reduction of public responsibility –Gilbert's surrender- is primarily associated with the issue of retrenchment. This is first of all a financial concept. It implies moving towards a more frugal welfare state. Retrenchment is predicted to be inevitable. (Mishra 1999) In a globalising world redistribution and universal services are no longer seen as feasible. Gilbert illustrates the general trends using data on social expenditure, data that show a slight decrease since the 1990's, but most remarkable is not the decrease, but the fact that many years of increase have come to a halt in the 1990's. (Gilbert 2002: 24)

The extent and the possible explanation of retrenchment is probably one of the most investigated topics in welfare state research (Palier 2003). Often retrenchment is measured by looking at total expenditures or at social expenditure as percentage of GDP. This is of course a very crude measure. The extent of social protection is difficult to measure by looking at total expenditures. It is more sophisticated to look for example at replacement rates in social security. This has been done by Korpi and Palme (2003) Their calculations show, more than the data Gilbert and others (Pierson 1996) use, that real retrenchment has taken place in most countries, although with large variations between countries and between programs (Korpi and Palme 2003: 435). They observe a reversal in social citizenship rights: a long period of increase has turned into decline and significant retrenchment. Although Korpi and Palme use a more refined measurement of retrenchment (replacement rates and benefit cuts) their definition of the reduction of public responsibility still is financial: a reduction in the generosity of social security.

Taylor-Gooby, in analysing the vast comparative literature on retrenchment and using spending data himself, comes to conclusions that differ highly from the conclusion Korpi and Palme drew (Taylor-Gooby 2002: 600-601):

1. High-spending welfare systems survive and develop. In most European welfare states social expenditure has risen between 1984 and 1997, with the exception of Ireland, Belgium and the Netherlands.
2. Existing commitments continue to drive welfare state development.
3. Governments have not responded to new pressures by rolling back the welfare state, but by restructuring their programs in the direction of cost-containment and activation.

Taylor-Gooby's conclusion that retrenchment is hardly taking place is confirmed by different authors, for example by Castles in an extensive test of the 'race to the bottom' hypothesis. (Castles 2004) Contrary to this however, I believe that the conclusion that retrenchment has taken place to some extent in most welfare states is unavoidable. The extent can vary with the policies one selects, but retrenchment has taken place, especially when we do not look at costs relative to GDP or at the development of replacement rates but when we extrapolate the development of cost or of replacement-rates as if no policy change had ever been implemented (cf. Green-Pedersen 2002). Retrenchment is then defined as the gap between projected costs when no policy change had been carried through and real expenditure.³ The figure below illustrates this general idea.

here figure 1

A focus on the generosity of welfare states is however too limited to draw conclusions about a possible reduction of public responsibility. It is not only generosity that signifies public responsibility. We have to look to policy in much more detail to draw conclusions about the possible reduction of public responsibility. This is also what Taylor-Gooby suggests in his third conclusion that welfare states are quite resilient: they react to external pressures and fiscal austerity by changing the logic of their programs. It is the dominant focus on quantitative, large-scale data-analysis in welfare state research that in his eyes obfuscates the fact that under the surface of financial data the logic of policy programs is actually changing. This is contrary to Pierson's research in 1994 which showed that the politics of Reagan and Thatcher in the 1980's, aimed at retrenchment and dismantling of the welfare state, had failed. Pierson explained this by pointing to the fact that once social programs exist, they create a new political and institutional environment that impedes change and creates new interests that are associated with the social programs. As illustrated before, the logic of systemic and

programmatic change have brought about the initial failure of retrenchment policies, but they also facilitated a second wave of policy change that was more effective and more innovative.

Bonoli and Palier (1998: 321) distinguish four types of innovative policy-change in the second wave of policy change. The first concerns the claiming principle (private contract, work, contribution, need or citizenship). The second concerns the benefit structure (means-tested, earnings-related, contribution-related). Thirdly, they distinguish changes in financing (general taxation, employment-related contributions, premiums) and finally changes in the actors who take part to the management (state, social partners, private sector). Bonoli and Palier observe some innovative changes in the 1990's in Britain and France and they conclude that these changes are not-reversible and open up new institutional opportunities for future reforms. So, it is in this second wave that real reform takes place, reform that creates opportunities for further reform in the future.

Gilberts' four trends towards an enabling state – privatization, promotion of work, selective targeting and solidarity of membership - can be reformulated in Bonoli and Palier's innovative policy changes and are actually visible in many policy changes in the 1990's, for example in social security.

Concerning the *claiming principle* and the *benefit structure* we can observe retrenchment in social security in a movement in the direction of increasing the extent to which benefits are employment- and earnings-related. This movement also facilitates the promotion of work by making benefits more closely related to the work history. It also increases selectivity, for example by making the duration of benefits dependent on the working history. Concerning the *financing* of public policies we can observe that by increasing the insurance character of social security – which one does when the link between working history and benefits is strengthened - the solidarity of membership is stressed at the expense of social citizenship rights, which are in principle unconditional when one is a citizen.

Changes in claiming principle, benefit structure and financing are often intended to limit the access to benefits and provisions to those for whom these entitlements were originally intended. This too can be seen as retrenchment politics. In general we can observe that the efforts directed at the limitation of access lead to an increasing use of incentives and sanctions and to all kinds of activating measures (Van der Veen and Trommel 1999).

My conclusion concerning the issue of the possible reduction of public responsibility is, first, that retrenchment has taken place. This has, secondly, also led to a certain reduction of public responsibility, in that selectivity and citizen's own responsibility have been increased. Thirdly, we have to conclude that it distracts us from what is really happening with public responsibility when we reduce policy changes in welfare states to *financial* retrenchment. Financial retrenchment is one side of the coin that on the other side hides a changing program-logic. A certain reduction of public responsibility is one element of this changing program logic, but there is more. Developments in the direction of an enabling state do not necessarily have to lead to a reduction of public responsibility. Instead we can also observe a change in the character of public responsibility. This will be the subject of the next sections. My fourth conclusion is that this reduction of public responsibility does not imply 'less state'. On the contrary, increasing selectivity, the growing use of incentives and sanctions and the promotion of work, require more administrative effort than less selective and less demanding public policies.

4 The displacement of public responsibility

In reaction to –among other things- endogenous efficiency problems in public policies (Ringen 2006), states have shifted public responsibilities to other social actors and downwards to local government, Bonoli and Palier's fourth type of innovative policy change. This concerns the privatization of risks and the decentralization of public responsibility. Complementary to privatization and decentralization, displacement of public responsibilities can also take the form of an upward transfer of responsibility, to the European Union or other international actors. I will discuss all three types of displacement of public responsibility in this section.

Privatization

Privatization can take different forms. It can mean for example decollectivization of risks. This happens when a formerly collectively shared risk is 'returned' to social actors. This has for example happened with the sickness risk in the Netherlands. The sickness insurance has been abolished and the responsibility for income provision during sickness has been decentralised towards the employer. Employees still receive a sickness benefit, not from a collective insurance fund, but from their employer, who is legally obliged to pay his

employees a percentage of their wages during sickness. The employer can insure this risk again on the private insurance market, which leads to a partial recollectivization. (Van der Veen 1998) In other policy domains similar decollectivization processes have taken place. These processes become visible in a growing share of private expenditure in total social expenditure, as the next table illustrates.

here table 1

In a historical analysis of the public-private mix in the American welfare state, Klein however links public and private welfare. She concludes that "...the growth of private provision has been tied to the expansion of state benefits. ... government's retreat from a commitment to public welfare is proceeding alongside employer benefit cutbacks... (Klein 2003: 274) Risk privatization as it is now taking place in some welfare states thus needs public control in order to prevent the wholesale unraveling of public and private security.

Decollectivization of risks also takes place when the extent to which risks are covered decreases. All kinds of measures that increase selectivity have this effect. This is visible in general retrenchment data.

Next to privatization of risks we can observe privatization of the administration. Private agencies are hired to implement public policy. (Sol and Westerveld 2005) Privatization of social risks as well as privatization of administration is, however, as is the case in the example of the Dutch sickness insurance, not to be equated with a complete withdrawal of public responsibility. Often the state limits the extent of privatization by imposing public goals on the private market. For example by limiting prices or by guaranteeing access to the market (the obligation for insurers to accept all those who want an insurance). This is why Bartlett and LeGrand (1993) speak of 'quasi-markets'. The feasibility of markets for social services is limited because of problems of adverse selection and moral hazard. Adverse selection ('cherry picking' for example) and moral hazard (unintended program use) can undermine the public goal of accessibility. This is why governments, when privatizing the administration of social policies, still regulate these markets intensively.

In an analysis of the marketization of activation services, van Berkel and van der Aa illustrate this. They emphasize that the institutional context has to be organized in such a way that it promotes cooperation between organizations and limits risk-avoiding strategies. Strong competition may jeopardize this. They conclude: "In the end, the solution to the challenge of

making social services better lies (...) not in the market itself, but in the way interactions between the private and public actors involved are institutionally structured.” (Berkel and van der Aa 2005: 342)

Privatization has taken place without privatizing the welfare state. Privatization is a politically viable strategy of policy change when resistance against change is high and when policies can be ‘layered’, that is when privatization can come on top of existing public policies that guarantee public responsibility. (Hacker 2004: 248) This is what has happened for example in the Netherlands.⁴

Decentralization

Decentralization can take many forms and has taken place in many policy fields. An important motive for decentralization is to be found in the endogenous problems of information-deficit and inefficiency. Also the ambition to increase the selectivity of social policy in order to focus more on the truly deserving and needy fuels processes of decentralization. By decentralising the responsibility for the administration and implementation of public policies it is supposed that information-problems decrease and therefore it becomes easier to increase the efficiency of social policy and to better prevent unintended program-use. Decentralization of regulatory and administrative responsibility implies limited central regulation and more freedom for local actors to formulate their own preferences. This is what happens when collective labour agreements are decentralised but also when the implementation of social policies is decentralised to local government.

Bode has analyzed processes of decentralization in France, Britain and Germany. He observes a general tendency towards disorganization of welfare mixes. Social welfare provision is becoming more heterogeneous and is to some extent market-driven. Yet it does not lead to crude market logics. Public bodies still influence the terms of cooperation and invest in networking.(Bode 2006: 355) In a similar analysis of decentralization and privatization in the same countries, Bahle concludes that these processes are not to be interpreted as indications of a retreat of the welfare state from the area of social services. More precise than Bode’s observation of heterogeneity, Bahle observes an attempt to establish more integrated and socially controlled systems of social services behind these developments. In general social service systems become more integrated –higher standardization of services

and less consumer choice- and a separation of functions –financing, control and provision- is taking place. These developments imply an extension of political control. (Bahle 2003: 17)

Paradoxically, because decentralization is taking place with the goal of increasing the efficiency of policies and with maintenance over overall public goals, it goes hand in hand with the increase of control and auditing. Power speaks about *the Audit Society* (1997). Public management of privatised and decentralised government apparently does not lead to a reduction of public responsibility and a withdrawal of the central state, but to a shift from central regulation and steering to central control and intensive accounting.

Europeanization

Next to the downward displacement of public responsibility, upward displacement is also a possible option. There are many instances in which supranational organizations take responsibilities, but they take – ideally - responsibility only for problems that surpass the capacities of national states. In this section I will focus on the European Union and its role in relation to the national welfare state. In the EU social policy is still mainly the domain of national governments. The EU however affects national social policy in a number of ways: indirectly by the regulation of the European open market and the Open Method of Coordination (OMC) and directly by setting legal standards.

The influence of the EU on national welfare states operates first of all through the European internal market. Scharpf speaks in this respect of '*negative integration*': integration of markets leads to a competition between national regulatory systems that may turn into a downward spiral of competitive deregulation. (Scharpf 1997) Recent research comparing OECD or EU countries (Castles 2004; Alber and Standing 2000) or analyzing the consequences of EU enlargement (Kvist 2004) does not confirm the hypothesis of negative integration. The internal market does however affect national welfare states, but more indirectly and subtly than suggested in the negative integration hypothesis. When national systems of social security are (to some extent) privatized they can come under the European umbrella of the internal market. This may happen for example with the Dutch public health care insurance which is, as of 2006, in the hands of private insurance companies. According to van de Ven (2005) this will lead to the opening up of the Dutch public health care insurance market for other European insurance companies and to an erosion of the public guarantees that are built in the new health care insurance system (acceptance obligation,

insurance obligation, risk sharing). A public insurance market will then in the end become a private insurance market.⁵

Through the formal, legal rights and requirements the European Court of Justice (ECJ) can impose on national legislation, the EU can influence national welfare policies as well. An important example of this mechanism is the requirement of equal treatment of men and women that has drastically affected national systems of social security in the 1980's. Also in the field of health care insurance a certain amount of (European) convergence is to be expected because of the same legal mechanism. To some extent privatized (formerly public) health insurance systems are affected by European legislation, for example because of the establishment by the ECJ of the freedom to choose one's own medical practitioner or other health care supplier and the concomitant obligation of the insurer to pay whomever is chosen, wherever in the European Union.

Since 2000 the EU uses a Open Method of Coördination (OMC) on the field of social protection policies. This OMC is a consequence of the European Monetary Union. The goal is to coordinate welfare reforms through a balanced compromise between economic and social objectives. The OMC is not aimed at harmonizing legislation and welfare systems but at organizing a learning process about how to cope with the common challenges of the global economy while also respecting national diversity. Eckhardt (2005) concludes that the impact of the OMC on national pension reform is low, although it may contribute to the development of a common EU social policy paradigm. This conclusion is shared by Palier who concludes that: "Whatever the content of the new orientation ... it is clear that the function of the OMC is to help national welfare states to leave the good old Keynesian world, to find new principles (...) so that social policies will be (...) more compatible with the economic policies..." (Palier 2004: 13) According to Pallier the OMC leaves national and European actors the option to reinvent a new European social model and does not necessarily force European welfare states on the road to liberalization. (Palier 2004: 16)

Concerning the displacement of public responsibility the conclusion must be that in many policy fields responsibilities are indeed displaced to local and private actors and –to a lesser extent- upwards to supranational organizations. These movements however take place within a context in which public responsibility is maintained. In European welfare states –contrary to developments in the U.S.- displacement is not to be interpreted as a strategy that is intended to –indirectly- reduce over-all public responsibility for collective welfare. Instead it is a strategy that is mainly intended to increase the efficiency of welfare administration.

5 The reinforcement of public responsibility

Pierson (2001) links the character of welfare state reform to the institutional arrangements of welfare states. Liberal welfare states will implement reforms directed at recommodification, Nordic and Continental welfare states will in their own way recalibrate their policies. I suggest the process is more complex and at the same time more uniform. (van der Veen and Trommel 1999) The processes of welfare state reform in most European welfare states is to some extent paradoxical. On the one hand retrenchment, decentralization and privatization are taking place, resulting in a certain liberalization of social policies, leading to recommodification. On the other hand most European welfare states try to uphold at the same time the idea of universal, solidaristic social policies, leading to recalibration of existing policies. This recalibration is directed at upholding universality and solidarity while making social policies more activating and more compatible with economic policies. To this end social policies are becoming more targeted (more selective) but still with a universal range.⁶

When implementing a more liberal model of social policy within a solidaristic and universalistic context, this requires extensive management and control over new decentralized and privatized arrangements (cf. Guillén and Palier 2004). Without extensive public management these arrangements will show perverse effects: they will become socially exclusive instead of inclusive and be uncontrollable (cf. Handler 2003). In the preceding sections I have given many examples of new forms of state intervention and regulation that results from this combined wish to liberalize and at the same time to maintain existing social standards. Bartlett and LeGrand (1993) have formulated the requirements for social (quasi)markets: competition and an open entrance to the market; transparency of markets and products; limited transaction costs and finally contracts that make that equal treatment and the need of clients are guiding the behaviour of the market parties.

Next to the fact that the requirements of decentralized arrangements and of social markets ask for state intervention and regulation, the reform of European welfare states also creates new institutions and arrangements. It is for example in the field of employment services and activation in general that new arrangements are created. Arrangements that have to realize the new goal of the enabling state of promoting work. But also in other fields, for example in

health care or care for the elderly, new arrangements are created. In the Dutch example new arrangements are created that allocate budgets to clients who subsequently have the freedom to individually or collectively organize the support and services they need. These kind of arrangements realize what Giddens described as ‘positive welfare’: welfare which is functional for wealth creation and that represents investment in human capital wherever possible rather than the direct provision of economic maintenance or the protection against want, disease, ignorance, squalor and idleness (Giddens 1998: 111).

6 The future of the welfare state

This article started with the question whether Taylor-Gooby’s ‘new welfarism’ was an adequate description of the development of thinking about the welfare state and what the turn towards ‘new welfarism’ meant for the development of welfare states in terms of the enabling versus the social investment state. My conclusion can be brief. The turn towards investment in human capital and the enhancement of individual opportunities is certainly the underlying logic of many reforms. This logic however has as much to do with endogeneous developments in welfare states as with processes of globalization or Europeanization. The opposition between the enabling state and the social investment state is a false one. The four trends Gilbert observed – privatization, promotion of work, increasing selectivity and solidarity of membership - describe very precisely what is happening in most European welfare states.

The political goal of these processes of change and restructuring is not retrenchment and in the end the destruction of the welfare state. The goals of the ‘new welfare’ policies in most European welfare states are to make welfare states more resistant to increasing international competition, to tendencies to internal inefficiency and to a changing socio-political environment, while at the same time maintaining a certain level of solidarity and public responsibility (Van der Veen and Trommel 1999). Governments try to reach these goals by recalibrating public and private responsibilities. This is different from the TINA-argument which holds that retrenchment is unavoidable.

The recalibration of public responsibilities does however not lead to the surrender of public responsibility, as Gilbert suggests. On the contrary, we can observe an increase rather than a decrease in public responsibility. A decrease can maybe be observed when we define public responsibility solely in terms of (financial) protection against risks. Every other

definition of public responsibility that is broader than a financial one leads us inevitably to the conclusion of increasing public responsibility and increasing state intervention and regulation. This development however goes, paradoxically, hand in hand with increasing individual responsibility. It is the notion of positive welfare – social investment *and* individual responsibility - that adequately captures this paradox.

The future of the welfare state, and more in general the future of the state, is not adequately discussed when the discussion is captured in terms of retrenchment and withdrawal. In the context of the welfare state the role of the state changes and this development is better described in terms of dispersion and intensification. In the context of globalization Rieger and Leibfried (2003) introduce the notion of complex interdependency. Contrary to the idea that globalization leads to a dying out of the nation-state, they suggest that globalization is best typified as a process of increasing complex interdependency. The nation-state is of continuing importance because in the end it is the nation-state that drives the management of the international order. The same can be said of the welfare state. In the context of the modern, post-industrial and globalising society the welfare state is more and more caught in a web of complex interdependency between social and economic policies, between different economic and social sectors, between different nation-states and international and supranational organizations and institutions. This changes the role of the welfare state but it also makes it more important, although always in interdependency with other actors.

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Figure 1 Retrenchment defined as the gap between projected and real expenditure for social security.

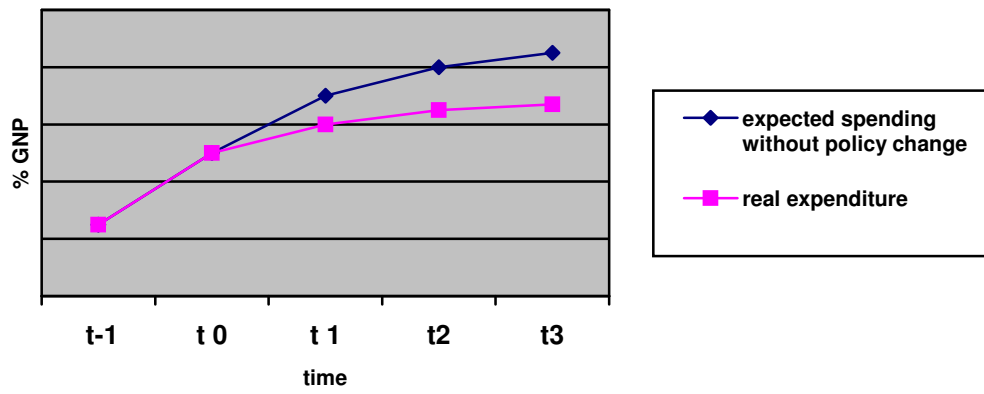


Table 1 Private Share of Gross Social Expenditure (1980-2003)

	1980	1990	2000	2003
Belgium	4,0	6,0	8,7	12,8
Denmark	5,3	7,6	8,5	8,3
France	2,3	6,9	8,3	9,0
Germany	11,3	12,1	10,5	9,9
Italy	4,3	16,4	8,3	8,7
Netherlands	13,9	19,2	27,7	27,9
Sweden	3,7	3,8	8,6	8,7
United Kingdom	17,8	23,2	29,2	24,8
United States	25,7	36,2	38,7	38,4
OECD	7,0	10,5	13,0	13,0

source: OECD, Social Expenditure data (own calculation)

Notes:

¹ I use a broad definition of public responsibility. It refers to all instances in which the state takes responsibility in one form or the other in the domain of social policy. This can range from providing and financing public provisions to regulating privately delivered and financed provisions. I thus focus primarily on the level and extent of state-intervention.

² Esping-Andersen has ranked welfare states in terms of *de*commodification: the extent to which welfare policies make workers independent of the labour-market for their well-being. The notion of *de*commodification originates from Polanyi's *The Great Transformation* (1944). With the idea of *re*commodification Gilbert points to a changing logic of welfare policies: policies do no longer protect people by providing them with social security outside the labour-market (*de*commodification) but by stimulating and facilitating them to participate on the labour market in order to receive 'social security' (*re*commodification)

³ This complex approach to retrenchment has been taken by Green-Pedersen (2002). He has calculated the expenditure for social security (in the Netherlands and Denmark) as if no policy changes had taken place, for example when no reduction in replacement rates or benefit-duration had been carried through, and compared this calculated expenditure with real expenditure after the policy changes had been carried through. The gap between the two is the extent of retrenchment.

⁴ Hacker (2004) however argues that in the United States this strategy should be interpreted as 'hidden politics of social policy retrenchment'.

⁵ The EU influence on privatized markets for more or less collective insurances however appears to become smaller in the near future. In the new EU treaty that will replace the constitution, the influence of the internal market on the policies of member states is limited in favour of national public arrangements.

⁶ This is what Skocpol described as 'targeting within universalism' (1991). Too often the policy goals of targetting and universality are reformulated in terms of selectivity and presented as contradictory, for example by Gilbert in his depiction of the enabling welfare state. However, universal entitlements do not conflict with targetted provisions.