



Macroeconomics

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**THE EUROPEAN MODEL
OF «WELFARE STATE»:
THEORY AND PRACTICE**

Abstract

The author demonstrates the existing contemporary welfare state models and determines typical peculiarities of the modern social state. The article studies the process of transformation of the social state in accordance with new political and socio-economic conditions.

Key words:

Social state, social system, social security, social partnership, welfare state, employment policy, concept, subsidiarity.

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The Problem

The term «social state» appeared in the mid-20th century to define the state of the modern democratic type. It is well understood that, literally, any state is social because it is established on a social basis (Latin *socialis* - social). This

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term, however, is used exactly to underline that the state has a developed and stable economy, and thus, it is able not only to declare, but also to implement an effective social policy. Besides, the necessary and decisive sign of the welfare state is the priority of human rights. Satisfying physiological needs without granting civil rights and political freedoms, as we see it from the history of totalitarian states, can turn a human being from an intelligent social being into a gregarious animal.

Current Research

With due respect to German scholars (Lorenz von Stein, F. Neuman, Gans von Haferkamp, M. Nihaus and others), who contributed substantially to the development of the concept of social state, it should nevertheless be mentioned that the social state (or the welfare state) has been and still remains to be the subject of scientific interest of American researchers as well. For instance, the problems of overall welfare state were in focus of the studies by H. Vilenski, Ch. Lebo, R. Titmuss, A. Evers, I. Svetlik, P. Baldwin, A. Barnes, B. Uttenberg, and many others.

In studying the works of the American authors, one should first pay attention to their interpretation of the term «social welfare», since it is general knowledge that scientific publications sometimes confuse the term «social welfare» not only with sociology (which is odd enough in itself), but also with social work. It should also be underlined that «social welfare» is a very broad term, which includes social work as well. According to C. Zastrow, «social welfare and social work are linked with each other primarily at the level of practical activity» [1: 12].

Objective of the Research

The objective of the research is to define and study the social state which has developed during the 20th century into the welfare state. The study also aims to show the principal types and models of social states, as well as the basis for their formation.

Main Part

The majority of scientific researchers define social state primarily as a legal one, the activities of which are aimed at the individual, providing his or her welfare, security and development. Today, the social function of the state and

public institutions is not confined only to providing care for the socially «deprived» sectors of population, but it is aimed at the society as a whole, its social needs and human requirements. Exactly for the reason that the modern social policy covers all spheres of social life, it was assigned the ultimate priority. With this in mind, the economic and other areas of governmental activities should be subordinated to social purposes and not vice versa.

In the international practice distinguished are the following types of social states:

The *socio-democratic social state* is characterized by the maximum of the state's social paternalism and minimum of social responsibility of the individual. It exhibits high level of incomes redistribution and has the following features:

- equal social rights for all citizens;
- full employment policy;
- high levels of taxes and social assistance – low level of poverty.

In this context, it should be mentioned that the former Soviet Union exhibited not the high level of taxes, but the low share of salaries and wages in GDP. State assistance took shape of dotations for a number of goods and services (for instance, in the early 1990s, the population paid approximately 20% of the cost of communal services). As for the level of poverty, than most likely, the Lorenz curve (which shows the poverty level) could have coincided with the curve of equal distribution of incomes. However, no proper study of life conditions was done at that time. Thus, if we disregard the absence of political rights and freedoms of the citizens, the former Soviet Union could have formally claimed the title of socio-democratic social state.

Conservative or corporate social state is characterized by equal distribution of the responsibility for the lives of citizens between the state and the individual. The state is the guarantor of social rights, yet these social rights are enjoyed by the citizens themselves through various insurance mechanisms (funds) at the cost of the citizens. This model offers a moderate level of incomes redistribution. Such a state system has the following features:

- the level of social security depends on the citizens' personal contributions to insurance funds;
- employment is not full;
- the levels of taxes and social assistance are moderate.

The key feature of the *liberal or limited social state* is that maximal responsibility for the citizens lies with the citizens themselves. The state provides only a minimum level of social support. Here, we observe a high level of incomes redistribution. State system is characterized by the following features:

- minimum social guarantees to a considerable part of population;

- comparatively high level of employment;
- high level of taxes.

The United States of America are a typical example of such a state. The interesting fact is that the diversity of the existing assistance programs at different levels (federal, state, municipal) has resulted in a large number of families whose living, already for several generations, has been financed exclusively by social assistance and who are not very eager to find a job. Therefore, even minimum social assistance can lead to the emergence of parasitic layers of population.

Some authors refer to yet another type of the social state – *catholic* or *Latin*. The level of state's responsibility for the individual in this type of social state is as low as in the liberal type. The necessary social assistance is based on the principles of Christian morality and comes primarily from the family and relatives, community, local authorities, and only in the last turn, from the state.

One should keep in mind that the social state concept was based on the ideas of the «overall welfare state», which pioneered the German social and political thought in 1880s. Exactly in those times, the government of Otto von Bismarck positioned social policy as an official doctrine of Germany and later on made it the part of Weimar Constitution of 1919. As we know, Weimar Constitution was the first in Europe to declare social rights of citizens to trade unions, unemployment protection, labour and health protection.

As social and labour legislation developed, social rights found their specific meanings: from pension guarantees, minimum wages and the right of the individual to decent living to compulsory social insurance and recognition of the right to work [2]. As time went by, these principal social rights cemented the concept of decent work of the International Labour Organization (1919).

At the beginning of the 20th century, the concept of the «overall welfare state» was developed within the tradition of the so-called «ethical socio-reformism». Professor B. Kistyakivskyi (1868–1920) was one of the most prominent representatives of this trend. As an expert in law, philosophy and history of Ukrainian political thought, B. Kistyakivskyi believed that human rights protection and respect for human dignity were self-sufficient and highest values for the society and the state. Thus, the European tradition of social state was reflected in the Ukrainian scientific thought from the very creation of its theoretical and conceptual basis.

The appearance of the mentioned concept has theoretically brought success into the activities of the socio-democratic governments in the Northern and Central Europe. Successful development of the concept was, however, interrupted by the economic crisis of 1930s.

The processes of shaping the ideology of social welfare and social partnership restarted after the Second World War. Exactly at that time, numerous scientific works echoed with the policy of the overall welfare state. Keynes' ap-

proaches regarding general employment and high incomes of population, as well as the period of economic growth in the 50s, have strongly encouraged the developed states of western Europe and the United States to establish state programs for education, health protection, support for housing construction to assist those citizens who were not able to earn minimum income on their own.

Swedish economist Karl G. Murdal and American sociologist Daniel Bell believed that the main features of the overall welfare state were the existence of the economy with various property types, decentralization of state power, with state management functions given to local bodies of self-government and citizens' unions, and absence of ideological conflict in the society as a result of satisfied interests of all social layers.

Liberal and democratic ideology proceeded from the thesis that the social state was the «state of social services», the main purpose of which was to stabilize the development of the society and to encourage relations of solidarity and partnership within this society.

The concept of overall welfare state in 1940-1970s opted for the existence of a strong state, which was responsible for the redistribution of incomes in the society and saw its main purposes in providing a set level of welfare and in rendering support to socially deprived citizens and social groupings [3].

The economic crisis of 1970s brought crisis into the concept of the overall welfare state, which lost its integrated character and today is reflected mainly in the studies dedicated to specific problems of social welfare, such as fair compensatory and distributional justice (John Rawls), citizens' rights to equal part of social welfare (R. Dvorkin), etc.

In addition, such a social state policy resulted in some negative social consequences. Paternalistic trend of the state's social policy led to weakening people's motivation to work. It led to the appearance of vast social groups which depended on the state's care and existed only thanks to various kinds of assistance, thus having no stimulus to contribute to their own level of living.

In the early 1980s, theoretical fundamentals of the social state were based on the utilitarian concept of the English philosopher I. Bentham. Later, however, the theory of social state was dominated by subsidiary approaches, according to which the state creates necessary conditions for the activity and development of its citizens and their unions and is authorized to interfere only when citizens are not able to care for themselves on their own [3].

The theoreticians of the socio-democratic trend develop ideas of the social state which bears responsibility for its citizens. They emphasize that social policy is a direct obligation of the state which proceeds from the social rights of the citizens safeguarded by the state. According to these philosophers, social state is a «continuation and complementation of the legal state» [4: 21], the key task of which is to ensure constitutional rights and freedoms of the citizens.

As of today, the formula of the social state may be found in the constitutions of three countries in Western Europe: The Fundamental Law of the Federal Republic of Germany (1949), Constitution of France (1958) and Constitution of Spain (1978).

Theoretical works define social state, first of all, as the obligation of legislators to provide conditions for socially focused activities for the sake of neutralizing the conflict of interests in the society and providing decent life conditions for the citizens while maintaining the equality of the forms of property. In other words, social policy is a means to avoid social confrontation and to coordinate the interests of different population groups.

The analysis of scientific studies regarding this issue allows us to conclude that scholars distinguish three models of the contemporary social state [6: 345–350]: *positive state*, which represents the lowest level of state's interference in the economy and social security, tending mainly to principles of individualism and protection of corporate rights (USA); *social state*, which guarantees minimum living standard and equality of starting possibilities (Great Britain); *welfare state*, which in addition to providing minimum living standard decreases the income gap, aspiring to reach full employment (the Netherlands).

The welfare state as a new model of social policy developed mainly due to the tendency for improvement of life and labour conditions, which was characteristic of the policy of European states in 1970s. According to the concept of welfare state, social policy is the sphere of responsibility of the government. Yet, N. Barr points out the complexity of defining the welfare state [7: 741–803]. Even for the well-known classics, for instance R. Titmuss, this term is an undefined abstraction [8: 15–36]. A bit later, N. Barr concludes that the model of welfare state covers four main types of activity: money compensations, health protection, education, providing food and living. In his turn, A. Briggs explains that the welfare state exists for three reasons: guaranteeing minimum income, providing effective management of social risks, and maintaining equal rights to certain social services [9: 1-8].

Under modern conditions, the fundamental role of the social state is more considerable than merely the protection of individual rights. First of all, it is domestic security (which is achieved by means of law and law enforcement bodies) and external security (which is provided by the system of national defence). R. Holcombe also pays attention to state functions in the sphere of social production, regulation, distribution and stabilization [10].

Thus, the welfare state can either be conceptualized in the narrow framework of social benefits and services (or systems of social security), or it may focus on other measures aimed at improvement of social welfare as well. This in particular refers to mechanisms in the sphere of distribution and regulation (progressive taxation, minimum level of wages and pensions, etc). As it was mentioned above, the concept of welfare state appeared in result of evolution, as a reaction to growing demand for social and economic security and other possibili-

ties of the state in this aspect (it is absolutely clear that the welfare state concept refers mainly to the developed countries).

That is why the welfare state may be considered as a social institution typical of the developed countries. This institution produces, manages, distributes and regulates social benefits and services (*institutional dimension*). It is as well responsible for providing an appropriate, generally accepted level of these social benefits and services to protect families and individuals from social troubles and to stabilize social and economic environment (*functional dimension*).

The aforementioned responsibility may be based on citizenship (the state is responsible for the welfare of its citizens) or ethical grounds (the state must provide at least a basic level of protection for those who live on its territory). Still, the differences with regard to social services coverage may be considerable, especially in view of the globalization and unification trends, as well as the problem of immigrants and immigrant workers.

Like any other social institution, the welfare state is subject to numerous debates about its meaning and necessity. Some scholars believe that if private sector is capable of fulfilling some of the state's functions, than the state should abandon them [11: 29-45]. In this context, the welfare state is interpreted within the responsibility of the state for provision of multilateral and comprehensive social security for its citizens.

The diversity of interpretations of the welfare state has led to the appearance of various thoughts on the issue. For instance, N. Barr believes that welfare state should have three main purposes: efficiency, fairness and administrative possibility [12]. Basing on this thesis, scientists identify five principal approaches to comparison of social policy systems: study of social policy evolution; analysis of necessary resources; comparison of social production systems; comparison of administrative mechanisms; comparison of results [13: 14-20].

In order to illustrate the aforementioned, let us consider key interpretations of the welfare state in some countries of the world.

The British model. It is characterized by three main objectives of the social policy: guaranteeing the minimum level of living; providing social protection in case of instability; ensuring maximum quality of services. Although the said objectives are associated with the institutional model of welfare, the British system of social security is far from ideal: vast sectors of population are covered by social services, but the quality of these services remains low. Besides, social protection is fragmentary, while services are strictly regulated.

The German model (social market model). Social policy of the after-war Germany was elaborated upon the idea of social state, or social market economy, according to which the economic development was considered to be the best and the shortest way to achieve social welfare. Thus, the social policy had to reflect this priority. The principles of social market find their best implementation in the tight connection between social assistance and position of its recipient on the labour market. Social expenditures are compared with the requirements to eco-

conomic development and growth, with emphasis made on their complementarity. The state interferes only when needed. In other words, the state deals with the problems that are inadequately settled with other means. Herewith, the system of the main social insurance does not cover individuals with sufficient incomes.

The French model. Social protection in France is based on the principle of solidarity, declared in the first article of the French Code of Social Protection. This principle means cooperative mutual support on equal basis, mutual responsibility to counter common risks. Nation-wide solidarity was firstly achieved by the enlargement of existing solidarity networks, mainly through the establishment of a common regime of medical and social security. As from 1970s, the solidarity model started to include outsiders in the program. On the whole, the French system of social security ensures complicated and multiple set of services. It should be mentioned that systems of this type are relatively ineffective, with main attention of social policy being focused lately on control of expenditures, in particular pensions and health protection.

The Swedish model (institutional and redistributive model). The Swedish model may be considered as an ideal form of the welfare state, which offers universal minimums for its citizens. Its commitment to principles of social equality is stronger than in the British model. In addition, this institutional and redistributive model provides both comprehensive social security and egalitarianism [14: 12–18]. If we take a detailed view of the Swedish model, we will see that the Swedish system has much in common with the German and French models, including its selective character. However, the importance of ensuring equality (which is sometimes identified with solidarity as regards organized cooperation) is considerable. In fact, this model reflects the policy of solidarity in wages realized by trade unions. It stands for the improvement of living standards and decrease of differences in the redistribution.

Thus, we can list the distinctive features of the new welfare state model (represented by political strategies of the leading European countries) in contrast to its old model:

- the social system remains very inclusive, granting of the social privileges may be conditioned with some obligations;
- taxes are relatively high, but in conformity with expenditures;
- generally high level of wages; those who lost their job, are rendered assistance and provided with opportunities for social adaptation;
- ensuring some elements of social security at workplaces, sometimes on a private basis;
- encouraging (but not preventing) partial employment, its adaptation to the life cycle and proportional allocation of social privileges;
- active technological policy, which is a main precondition for the welfare state's survival (contrary to subsidizing old economy spheres).

Conclusions

In conclusion, we can say that the overall welfare state as a theoretical construction can be applied in many social protection systems with different levels of incomes, governmental activities and direct expenditures for social needs. Despite the fact that today the concept of «social state» is one of the most criticized, it still remains an effective institution for dealing with social challenges. Its legal, financial, economic and organizational mechanisms are being constantly developed. Thus, neither the idea nor the method of welfare state is wrong. That is why they can and should be applied in the process of developing the model of the «Ukrainian social state».

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