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## **POLICY OF WELFARE STATE AS THE STATE'S RESPONSIBILITY FOR SOCIETY – A GLOBAL VIEW**

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### **POLITYKA PAŃSTWA DOBROBYTU JAKO ODPOWIEDZIALNOŚĆ PAŃSTWA ZA SPOŁECZEŃSTWO – UJĘCIE GLOBALNE**

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**Summary:** In the second part of the 20<sup>th</sup> century “welfare state” model became a recognizable part of social-economic policy in majority of Western countries, called west civilisation countries. Remarkable achievements of this model like: generous social care programs, free education and healthcare systems, complex and universal state support for the families, supplementary payments for them and egalitarian way of income distribution distinguish it from other countries and civilisations. For many years this model was recognized as undoubted achievement of Western civilisation. However, changes in the global economy at the turn of 20<sup>th</sup> and 21<sup>st</sup> centuries influenced the “welfare state” policy, which started to be interpreted as a barrier in economic growth. Nowadays, for many people it seems to be a kind of dilemma either to choose dynamic economic growth or rich social state contribution to its society.

**Keywords:** welfare state policy, social policy, welfare systems.

**Streszczenie:** Począwszy od drugiej połowy XX wieku, model państwa dobrobytu na stałe wpisał się do programów polityki gospodarczo-społecznej większości krajów wysoko rozwiniętych, często określanych mianem krajów cywilizacji zachodniej. Niekwestionowane osiągnięcia tej polityki, takie jak: hojne powszechne ubezpieczenia społeczne, bezpłatne usługi edukacyjne i opieka medyczna, kompleksowe i uniwersalne formy pomocy dla rodzin, dopłaty do kosztów codziennego utrzymania oraz egalitarne podejście do uzyskiwanych dochodów indywidualnych, wyróżniały kraje zachodnie na tle innych cywilizacji i społeczeństw. Przez wiele lat taki model polityki społecznej postrzegano jako niewątpliwe osiągnięcie krajów cywilizacji zachodniej. Jednak zmiany, które zaszły w gospodarce światowej na przełomie XX i XXI wieku, sprawiły, że podejście do polityki *welfare state* zaczęło się zmieniać i coraz częściej zaczęto ją postrzegać jako ograniczenie możliwości rozwoju gospodarczego, a jej wysokie koszty – jako poważne obciążenie narodowych budżetów. Współcześnie polityka państwa dobrobytu postrzegana jest w kategoriach dylematów między wyborem drogi dynamicznego rozwoju gospodarczego a popularnymi społecznie obietnicami realizacji hojnych przywilejów społecznych.

**Słowa kluczowe:** polityka państwa dobrobytu, polityka *welfare state*, polityka społeczna.

## 1. Introduction

Social care systems in advanced capitalist economies seem to be both achievements and barriers in growth and development. For many years, beginning from the middle of the twentieth century, welfare state policy was recognized as a significant value of democratic and well-developed countries. Continuing progress in introducing new welfare programs through the 1980s and the 1990s, the majority of Western countries reached exceptionally high standards of living for their citizens, including stable incomes and a large number of social privileges. A low level of unemployment and dynamic growth were typical features of economies in past decades. Such circumstances allowed well-developed countries to build up comprehensive and complex systems of social care, in an economy recognized as “welfare state” policy. In literature, we find different models of “welfare state” with a different range of public social support – liberal, conservative and social democratic.<sup>1</sup> Such a policy in different times and in different countries varied a lot, from basic social care programs in liberal regimes to extensive public support for each member of the society in social democratic countries.

At the beginning of the 1980s a global recession started which effected in an economic slowdown and employment problems in most of the highly developed countries. Welfare state programs were blamed for the high costs of social services, inefficiency in spending public incomes and inadequate taxation levels for business activity. At that time, all advanced capitalist democracies began to introduce economic and social reforms which were expected to reduce public expenses and the range of social programs and yet, not to the same extent in all countries. In some welfare states regimes like the United Kingdom, they were radical with new directions, in others, mainly continental, they were limited, derivative and incomplete. In liberal regimes like in the United States, reforms were very often a result of deliberate political decisions to abstain rising inequality.<sup>2</sup> The range and type of reforms in different regimes were different and they depended on political, economic and social attitudes arising from national welfare models. However, some features to introduce reforms were common for all countries such as demographic changes including aging populations, employment levels and the growth of the cost of social programs creating problems with budget stability.

In this paper we will present past and contemporary welfare state policy in different regimes in the economic and social context of state responsibility for their individuals. We will also try to find the advantages and threats to welfare systems in the context of global competition.

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<sup>1</sup> B. Greve, 2013, *The Routledge Handbook of the Welfare State*, Taylor and Francis Group, Abingdon, Oxon, USA and Canada, p. 143.

<sup>2</sup> K. Kersbergen, B. Vis, *Comparative Welfare State Politics. Development, Opportunities and Reform*, Cambridge University Press, New York, p. 2.

## 2. Welfare state systems – beginnings and contemporary times

After the Second World War most of the developed countries began to create welfare state regimes, introducing extensive social programs as a response to emerging problems related to common poverty and the need for economic stability. Security, equality, and wealth became recommendations for social, political and economic reforms in these countries. Despite the fact that the origins, principles, major goals and range of social services were different in different welfare state systems, some ideas were common. These basic welfare state ideas were as follows: firstly, to protect people against some risks in industrialized society like unemployment or disability due to sickness and old age, secondly, to limit the degree of inequality both between individuals and families and thirdly, to let the whole of society to participate in economic growth, which means to increase the standard of living of all the citizens. Esping-Andersen, based on the extent of the social protection services provided for society, distinguished three basic models of welfare state regimes: liberal, typical for Anglo-Saxon countries, conservative-corporatist present in Northern and Western Europe and social democratic system broadly existing in Nordic countries.<sup>3</sup> The typology of welfare state systems in different regimes is presented in Table 1, including historical, political and economic differences. In the very same table, we can also find examples of welfare systems in particular countries.

Despite the variety of different social programs in democratic, well-developed countries in the 20<sup>th</sup> century, all of them were dedicated to reduce poverty and social inequality. In the liberal model, social assistance programs and the meaning were rather narrow, limited to income maintenance programs. The term “welfare” is commonly referred to as “public” and does not mean an egalitarian income policy. The range of social services is limited and the private sector plays a dominant role in social security programs.<sup>4</sup> The well-being of citizens depends on individual life insurance and a private pension scheme. If citizens wish to have more than basic protection, they have to purchase private insurance on the market or request it on the basis of employment regulations. The liberal model of welfare state policy offers very little protection and does not interfere much with the inequality generated by the market. Such a social security system is typical for countries like the United States, the United Kingdom, Australia and New Zealand.

In the majority of European countries – contrary to the liberal model – the term “welfare” refers to extensive public policy including general security and egalitarian incomes for all the citizens of the society. In these countries we can distinguish two main models of social welfare systems, conservative and social democratic. The first

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<sup>3</sup> N. Ellison, 2006, *The Transformation of Welfare States*, Routledge, USA, Canada, p. 12.

<sup>4</sup> G.M. Olsen, 2002, *The Politics of the Welfare State. Canada, Sweden, and the United States*, Oxford University Press Ontario, p. 72.

**Table 1.** The typology of Welfare State Regimes

Roots/Origins	Welfare Regimes			
	Poor Laws/Beveridgean		Catholic/Bismarckian	
Regime type (Dominant ideology/nature)	Liberal	Social democratic	Conservative	
			Catholic/rudimentary	Achievement – performance
General Character	Residual	Institutional	Residual	Institutional
Principle	Compensator of last resort	Compensator and employer of first resort	Compensator of last resort	Compensator of first resort
Major Goals	Alleviation of poverty	– Abolition of poverty – greater income equality – full employment	Alleviation of poverty	Income maintenance
Income Security Programs Range	Limited	Extensive	Limited	Extensive
Basis of allocation	Needs-based	Rights-based	Contribution-based	Contribution-based
Coverage/scope	Selective	Universal	Employees	Employees
Benefit levels	Low flat rate	Modest flat rate	Income-related	Income-related
Program Emphasis	Social assistance	Universality	Social insurance	Social insurance
Range of Social Services	Limited	Comprehensive	Limited	Limited
Public Expenditure Level (% GDP)	Low	High	Low	High
Private Sector Welfare	Significant	Minor	Minor	Minor
Civil Sector Welfare	Moderate	Minor	Significant	Minor
Approximations of ideal types/prototype	Anglo-Saxon Nations/USA	Nordic Nations/Sweden	Mediterranean Nations/Spain	Continental Nations/Germany

Source: G.M. Olsen, op.cit., p. 72.

model, indicated in Table 1, is typical for continental nations such as Germany, Austria and Mediterranean countries like Spain. In the conservative regime, social rights are based on the economic contribution to society (employment) and one's social function in the family.<sup>5</sup> In these countries, the range of social services is limited but not low and it depends on the former income and contribution to insurance funds. The conservative welfare state model is based on payroll taxes paid by employees and employers, and social support to people who do not have jobs, for instance women responsible for their children are entitled via their relations with the employed person i.e. a husband or other family members. Social services provided by the private sector have minor significance and they are paid from individual funds.

The social democratic welfare state model is a tax-financed, highly complex and comprehensive social security system. This model is truly universal, oriented to egalitarian incomes and generous in the provisions of benefits and services for all

<sup>5</sup> B. Greve, 2013, *The Routledge Handbook of the Welfare State*, Routledge, USA, Canada, p. 143.

members of society.<sup>6</sup> Public expenditures on social care as a per cent of GDP in social democratic regimes are very high and they cover a very complex system of social services. The role of private social institutions is limited, labour market participation of all groups of employees is highly valued and tax levels are very high.<sup>7</sup> Such a welfare model is typical for Nordic countries like Sweden, Denmark and Finland.

Social and economic theories of welfare state policy consider this phenomenon to be a response to the modernisation and increasing democratisation in well-developed countries in the twentieth century. The main target of welfare policy in Western countries was to establish political and social security, stability and a more equitable distribution of resources.<sup>8</sup> However, at present welfare state policy often faces serious criticism arising from different points of view. The most discussed problems concern the economic consequences, the efficiency of the benefit system and changes in individual behaviour.<sup>9</sup> The critical question is whether well-developed countries can afford such generous and expensive social systems which demand very high tax revenues and restrain economic efficiency. In regard to the criticism of the benefit system, welfare systems are often blamed for high labour costs, the growth of unemployment rate due to high wages, the inefficient allocation of resources and problems in balancing state and local budgets. In the context of individual behaviour, welfare systems are usually criticised for an easy access to social benefits and public support which may ruin the work ethic and reduce people's willingness to find extra jobs and work more hours. In some countries in the twentieth century, such extensive social programs created a so-called dependency culture in which some citizens became permanently dependent on welfare benefits and public support.

Taking the historical and contemporary aspects of welfare state policy in the 20<sup>th</sup> century into account, it seems to be obvious that the majority of well-developed countries undertook the challenge to build rich and more or less egalitarian welfare societies, in an economy literature recognized as "the welfare state". However, the understanding of the welfare state policy in different times and in different countries varied a lot, from basic social care programs in liberal regimes to extensive public support to each member of society in social democratic countries. Nowadays it appears to be an absolutely essential question whether welfare state policy is still a valuable achievement of Western, democratic societies or restraint in economic growth and development.

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<sup>6</sup> N. Ellison, *op. cit.*, p. 13.

<sup>7</sup> B. Greve, *op. cit.*, p. 143.

<sup>8</sup> T.I. Gizelis, *Globalisation, Integration and the Future of European Welfare States*, Manchester University Press, Manchester–New York, p. 46.

<sup>9</sup> H. Ervasti, J.G. Andersen, T. Fridberg, K. Ringdal, 2012, *The Future of the Welfare State*, Edward Elgar Publishing Limited, UK, USA, pp. 232-233.

### 3. Welfare state policy as a state responsibility for society in different countries

In advanced capitalist societies, there is still a debate on the inequality and poverty among the citizens and a role to be played by governments to make more egalitarian economic systems. Public support for individuals still plays a dominant role in creating people's attitudes as well as their wealth or poverty. New challenges, like the globalization of world markets and strong global competition, interfered "the welfare state" policy in countries of western civilization and created particular dilemmas of either choosing economic growth or keeping valuable social achievements.

In the 21<sup>st</sup> century in different countries, the range of social programs and redistributive achievements is still different. As can be seen in Table 2, countries with liberal welfare regimes like Australia, Canada and the United States have more limited public expenses in comparison to other welfare systems. Liberal welfare state countries support their citizens with very basic social services such as education or programs against poverty. In the US, welfare state programs are very limited and narrow. They do not include a national health care system, universal sickness insurance programs, family allowances, public childcare and an elaborate system of active labour market policy to help unemployed people to find work.<sup>10</sup> Social expenditures as % of GDP in the 20th century were significantly lower in comparison to other OECD countries. In the recent decades expenses have been growing, reaching a level of 19,8% in 2012, however, they were still lower in comparison to other welfare state systems.

**Table 2.** Social expenditures as % of GDP in year 1980-2012

Years	1980	1985	1990	1995	2001	2012
Australia	11.3	13.5	14.2	17.8	18.0	19.2
Canada	14.3	17.4	18.6	19.6	17.8	18.3
Ireland	17.0	22.1	18.6	19.4	13.8	22.0
Japan	10.2	11.0	11.2	13.5	16.9	22.3
Korea	n/a	n/a	3.1	3.6	6.1	9.3
USA	13.3	13.0	13.4	15.5	14.8	19.8
Great Britain	17.9	21.1	19.5	23.0	21.8	23.7
Germany	23.0	23.6	22.8	27.5	27.4	26.0
Denmark	29.1	27.9	29.3	32.4	29.2	30.8
OECD 21	17.7	19.6	20.5	22.5	21.9	21.9

Source: OECD, 2004, Social Expenditure Database, SOCX, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure).

The Canadian welfare state is often described as a liberal form of social policy, similar to the US system, however, in fact, it is somewhere between the Swedish

<sup>10</sup> G.M. Olsen, op. cit., p. 37.

social democracy and American liberalism. For example, the Canadian income security system for elderly people was a two-tiered public-sector pension system,<sup>11</sup> similar to the Swedish model and completely different from the American one, based on a quasi-universal level of public pension security, called Old Age Security.<sup>12</sup> The Canadian welfare state is more generous in comparison with the US social system, including the universal family allowance program, the national health care insurance program and the generous public pension system. However the Canadian welfare state, despite important social measures, in many aspects looked similar to the US one as it is much more based on private-sector welfare and fiscal welfare than most European countries.

In post-war Europe, we could distinguish four main categories of welfare regimes: conservative-corporatist, social-democratic, Mediterranean, and Anglo-Saxon. The first group of countries comprises Germany, France, Italy, Belgium and the Netherlands. The welfare policy in these countries was based on the contributory social insurance and the benefits were financed by employers, employees and from taxation.<sup>13</sup> In that model, family, church and occupational forms of welfare were supplemented by the state, not replaced by it.

The Social-democratic model is typical for Scandinavian countries and it is characterised by high levels of social services in which the majority of society participated. In this model, there is a strong faith that a wide range of social support is necessary in order to maintain a more dynamic capitalist system and to deal with the many social problems generated by the market. The system is dedicated to the whole of society, independently from the level of incomes and included such ideas as a high degree of universalism including the middle class, promoted equality of the highest standards and not equality of minimum needs, no dependence on the family, a full employment guarantee and social democracy as the dominant force behind the social reforms.<sup>14</sup>

The Anglo-Saxon welfare state model is typical for the United Kingdom and also had some similarities in Ireland and there are no significant differences with the United States. The social policy was founded based on universal principles of the Beveridge model with a wide range of contributory benefits, tax-financed universal social services and a unique system of publicly owned council housing. This system combined two distinctive traditions – liberalism which places a high value on individual freedom and responsibility which trusted government support.<sup>15</sup> However,

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<sup>11</sup> The system includes Old Age Security (OAS) system as the first tier for all 65 year old Canadians, and the Canada Pension Plan and Quebec Pension Plan (CPP/QPP) as the second tier.

<sup>12</sup> G.M. Olsen, op. cit., p. 39.

<sup>13</sup> M. Kleinmann, 2002, *A European Welfare State? European Union Social Policy in Context*, Polgrave Houndmills, Basingstoke, Hampshire UK, p. 36.

<sup>14</sup> A. Nordlund, 2002, *Resilient Welfare States – Nordic Welfare State Development in the Late 20<sup>th</sup> Century*, Department of Sociology, Umeå University, Umeå, p. 8.

<sup>15</sup> H. Tsukada, op. cit., p. 53.

since the late 1970s, the social expenditures were progressively reduced and poverty and social exclusion have grown rapidly.<sup>16</sup>

The Mediterranean Model referred to Southern European countries like Italy, Spain, Portugal and Greece. The family was an important institution of this system, guaranteed a good standard of living for family members. The state activity in the welfare sector was rather low and the benefits were dependent on employment. This model was not universal and state transfers were exchanged for party support often via trade unions. The biggest achievements were the high level pensions and the health care system, education and unemployment benefits.

In spite of the variety of different social programs in advanced capitalist countries in the 20<sup>th</sup> century, all of them were dedicated to reduce poverty and social inequality. However, it seems to be obvious that all of these systems changed and were evaluated in the 20<sup>th</sup> century. To describe the development of these programs, we should distinguish the most significant features in particular countries.

#### 4. Conclusions

In spite of the variety of different social programs in advanced capitalist countries in the 20<sup>th</sup> century, all of them were dedicated to reduce poverty and social inequality. All of these systems changed and evaluated during the years and in some countries they reached very generous forms of well-being in social programs for the majority of citizens. If we consider welfare state policy in the global context, including economic and social aspects, we find significant differences in the understanding of social problems in different countries. The range of social support differed a lot from country to country, also the achievements of particular national welfare states reached different levels. At the end of the 20<sup>th</sup> century and at the beginning of the current century, it created an intense debate whether “the welfare system” is a great achievement of western civilization or a social crisis in the way of fast economic development.

Nowadays, controlling the cost of social policy and other public expenses seems to be essential for indicating the key problems for economic growth and to find the correct balance between social care spending and the investments into competitiveness of national economies. The relationship between political stability, income inequality and economic development is crucial to achieve good macroeconomic performances. As T.I. Gizelis indicates, a lot of researchers disagree on the direction of casual linkages, yet most of them argue that high income inequality leads to political violence, general social dissatisfaction and therefore constrains sustainable economic growth.<sup>17</sup> Despite all of the achievements within recent decades, the welfare state models have not just been supported and valued by the masses but they have also

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<sup>16</sup> M. Kleinmann, *op. cit.*, p. 53.

<sup>17</sup> T.I. Gizelis, *op. cit.*, p. 37.

faced notable criticism which has arisen from different points. The key critical points concerned economic criticism, inefficiency of the benefit systems and changes in individual behaviour.<sup>18</sup>

In the 21st century, new features like the globalisation of world markets and strong global competition interfered with the social policy in all well-developed countries. Such circumstances created particular dilemmas, either whether to choose economic growth or to keep valuable social achievements. On the one hand, welfare state is not a doubtful achievement of democratic societies, yet, on the other it can be identified as a constraint of economic growth and global development.

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