

AFTER THE WELFARE STATE?

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Major economic and social changes have transformed the environment within which social policies must operate world wide. This will challenge old institutional structures, not least through competition with the private personal service market. On the other hand, demographic and labour market changes are creating fresh demands for social action. New welfare economies will emerge that will embody some of the past, but also owe much to the dominant consumer societies of the late twentieth century.

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A New Agenda

Social policy will never be quite the same again. Two decades of economic upheaval in the developing world and the more advanced economies too, have changed the way governments, political parties, consumers and academics think about social policy. In the aftermath of the economic disorder that followed the first and second oil crises, most economies were forced to re-examine tax financed services, and do so in increasingly fundamental ways, with or without the help of the IMF. The costs of readjustment have fallen differentially on groups like children and younger families. In the developing world, such trends have been documented by Cornia, *et al*(1987). The same kind of story can be pieced together from European and American sources. Governments devoted to rolling back the boundaries of state activity, assumed power in many countries for varying periods of time, and the one which stayed longest was Mrs. Thatcher's conservative administration in Britain. Not only was her period in office unusually long, but it was also unusually ideological, and firm in its free market theories. This Government carried through into practice, in a determined and consistent way, a range of reforms more far reaching than anything since the period immediately after the Second World War. This was more surprising still to many outside Great Britain, because they looked on Britain as the country that had led the world as an example of an advanced welfare state. Many reformers believed that what Britain did today, the rest of the world may do tomorrow. If that is so, does Britain's fate presage a gradual dismantling of the social institutions created in many countries, in the first part of this century, and especially after the Second World War? Will this happen world wide? Fundamental economic forces are at work which suggest that this could well be the case. Some advocates of the free market do believe that the end of all but minimal state involvement in welfare services is now in sight (Seldon, 1987). On the other hand, there are other demographic and social changes that are working in the favour of welfare. That does not mean that *existing* welfare institutions will continue. It does suggest that new welfare service economies will emerge owing debts to the pioneers of the 1940s, but also owing much to the newly dominant consumer societies.

The Long March?

For a century and more, governments have intervened on an increasing scale all over the world to provide finance, or regulate health care, education, income and the care of

the elderly and handicapped. It was always a misleading journalistic convenience to call the result "welfare states". Many countries had local and diverse systems of delivery. In very few countries did the central state provide a full range of services.

Nevertheless, the combined economic importance of these activities grew. In the seven largest OECD nations which include the USA, Japan, and Canada, the share of income spent by governments, at every level on social welfare, rose from 14 per cent in 1960 to 24 per cent in 1981 (OECD, 1985). The figure was over 30 per cent in many European countries. Developing countries, too, were allocating more of their resources to such purposes. Many writers portrayed these trends as an almost inevitable parade of progress, but, in truth, success in achieving better standards of life expectancy, public health, literacy and nutrition were to be found in a range of economic systems, some giving more weight to the market, others less (Stewart, 1984). It is the extent to which societies succeed in achieving such basic entitlements for all their citizens, by which they should be judged as welfare states and not by the form of their institutions. The 1970s not only checked this long march, it also called into question the whole presumption that there was a common direction or purpose in the evolution of systems of welfare.

A New Environment

1. The most obvious and most discussed effect of the economic crises of the period was to cut the growth rates of the major economies and their capacity to fund social service expansion while, at the same time, permitting private living standards to rise too. We can see a good example of this effect in health care spending. In the period from 1960 to 1975, spending on health care rose more than half as fast again as incomes, in the OECD countries. This began to change in the 1970s, and by the period 1980 to 1984, the rate of increase was only half the increase in incomes (OECD, 1987).
2. Such macro-economic factors only go part of the way to explain what has happened. Within advanced economies, a major shift is occurring towards the service sector. Capital is finding manufacturing industry less rewarding, and the growth of private services has been rapid. There is no obvious boundary line between private and social services, at least as far as private entrepreneurs are concerned. The aggressive selling of hospital and nursing home care, on Britain, are cases in point. Once corporations see health, education and nursing care as big business, attracting public as well as private funds, they become major interest groups. It is not just that social services are competing with the defence and agricultural interests for government attention. They are now battling with alternative private providers for the limited pot of tax payers' cash. Private services also offer another kind of competition. The kind of consumer concern and marketing that is the characteristic of the private sector, often shows the public services in a poor light. That, too, weakens their political clout.
3. The economic forces and interests which secured the expansion of state services, in the first part of the century have, in contrast, weakened. Organised labour has declined in political as well as economic terms. Part-time workers, women in service jobs, are less unionised. Union pressure, where it exists, is increasingly being channeled into negotiations about health and welfare plans for full-time employees. Once more, this creates a counter political interest to publicly provided services. Why should people pay twice, as they see it, for their pensions or health care?

4. As peoples' individual incomes have grown, and as private insurance schemes have grown more sophisticated, it has become more possible for an increasingly larger group of households to provide for their own children's education, or care for themselves when they become old. Thus, the old presumed association in the minds of the electorate, between more spending on education and better schools for their child has eroded. More spending on welfare begins to be seen as benefiting the outcasts and the marginal groups in society. The more governments tried to target assistance to save hard pressed treasuries, the more welfare came to be seen as a burden and not a benefit for ordinary citizens.
5. Communities have become less interdependent. A world war seems far away. Suburban life removes individuals further from the sights of deprivation that might affect them. The self interest in low property taxes and high property values creates communities that have no interest in rescuing the poor only a few miles away. Moreover, residents have little to fear in terms of disorder, they are isolated enough and can rely on sophisticated private security systems. Buying off civil disorder with welfare cheques is an expensive option and by no means an effective one.
6. It is only super-imposed on these fundamental changes that the kind of limits to social policy that Glazer (1988) discusses, begin to come into play. These include things that are of more direct concern to the social science community: the over-optimistic claims that were made, notably in America, for what small social programmes could achieve, our inability to get bureaucracies to do what we wanted them to do; our basic ignorance about so much of social life. All of these points have weakened social welfare in the public's eyes, but they pall beside the kinds of changes described above.

Is there, then, no future for social policy, but a declining and increasingly fruitless attempt to provide for a separate underclass of outcasts, in whom no one in the larger society has any real interest?

The Counter Factors at Work

Running counter to these structural forces, that have weakened traditional systems of welfare, are others that are creating demands that the market has found difficult to meet.

1. The new, more internationally competitive world, has made all economies, including some that used to be the most powerful, more vulnerable. Market economies have had to choose alternative paths to constraining inflation. Some have opted to run at high levels of unemployment to restrain the power of unions to extract inflationary wage bargains, and reduce their membership. This is enormously costly in social security payments. In the United Kingdom, the additional costs of such a policy came to equal the whole cost of the Health Service and the university system put together. As the United Kingdom reached the peak of its economic cycle in 1989, and had to resort once again to recession to cure its inflationary disease, it still had a residue of unemployment three times that of comparable periods two or three decades ago. Long term unemployment, perhaps, for one in ten of the population, and intermittent unemployment for another tenth of households, puts the private purchase of many services outside the reach of a large section of the population as well as increasing the social security budget. The other route to combat inflation, followed by the Scandinavian countries, has been to create jobs through a positive labour market policy and to reach agreements with unions that often involved trading social

benefits for containing wage claims. This also cost a lot of money, and certainly, has extended what had been thought of as the traditional boundaries of *social* policy.

2. A second effect of economic restructuring has been to create a much wider spread of income distribution than was true only a decade ago. There are more part-time jobs and more jobs in low paid work. Older workers are being made redundant much earlier. But, over and above this, social and demographic factors are adding to the "stretch effect" on income distribution. These include the rise in divorce, separation and child bearing outside marriage, the predominance of two earner families whose earnings enable them to just get by, but leaves the single earning low paid family well below the poverty line. To these factors, we must add the aging of the population and the numbers of very elderly, whose private pensions, even if they had them, have lost most of their purchasing power.

The scale of these changes has been poorly understood or appreciated. In 1975, the average pre-tax incomes of the richest fifth of households in the United Kingdom were four times the average incomes of the poorest twenty per cent. In 1986, only just over a decade later, the ratio was not one to four but one to eight (CSO, 1988). In 1970, one in five of all households in the UK had no earner. By 1985, the figure had risen to one household in *three* (Piachaud, 1987). We can also take a measure of relative poverty. Seebohm Rowntree's measure of poverty was equivalent to expecting a family of two adults and one child to live on an income equivalent to 83 per cent of the average consumer expenditure per head at the time. Or, to put it another way, the poverty line for a family was about a third of the average family's income. In 1953, only about 1.2 per cent of people in Britain fell that far below the average standard of living. By the mid 1980s, the percentage had risen to 16 per cent (Piachaud, 1988 and DHSS, 1988). Changes in Europe point in similar directions. On current definitions of poverty, in 1975 there were 30 million poor people in Europe. In 1985, the comparable figure was 45 million (EEC, 1988). A recent report from the Congressional Budget Office in the United States shows the same kind of trends (CBO, 1988). Between 1970 and 1986, the richest 20 per cent of families with children improved their standard of living by a quarter. The poorest fifth saw their real incomes *fall* by 12 per cent. Now, it may be that societies can simply ignore these trends or conclude that the best solution is merely to be tougher on the poor, helping their misfortune only makes things worse, as Murray (1984) concluded. The evidence is, however, that while programmes for the poor have been cut, poverty has also increased. In the UK again, the combined effect has been to increase the size of the social budget relative to the economy and to *increase* the redistributive impact of the welfare state (CSO, 1988).

Table 1

GINI COEFFICIENTS FOR THE DISTRIBUTION OF INCOME PRE AND POST TAXES AND BENEFITS 1975 AND 1986 (UK)

	1975	1986
Original income	43	52
Post tax and benefit income	31	36
Reduction in Gini coefficient or redistributive work done	12	18

3. Social attitudes have been changing as fast as economic structures. Women's perceptions of their appropriate roles in society, as well as the demand for their labour, have created new demands, new political constituencies for day care, care of mothers and elderly relatives, schooling and the quality of neighbourhood life. Women are not only becoming more political, they are also joining unions and changing their agendas too.
4. For much of the period since the Second World War, health care had become increasingly individualised. Health became a matter between you and your doctor. The prestige and importance of public health declined as the great epidemics receded. Now, we have at least as awful a scourge in our midst — AIDS — and there are no easy solutions. Solutions that do exist are social and global in their implications.
5. Finally, we are learning the hard way that there are certain things that the private market is rather bad at as well as things it is rather good at (Barr, 1987). An increasing number of Americans and even the medical profession, seem to be drawing that conclusion, (*New England Journal of Medicine*, 1989). The sheer mounting cost of medical care, not the least its effects on labour costs, is forcing a reappraisal.

The way these contradictory forces will work themselves out in different societies is largely unpredictable. Some things can be postulated, however.

Welfare States of the Future

1. Societies are going to develop increasingly diverse and complex ways of meeting their social objectives. Targeted tax remissions to employers to provide services in lieu of state services—regulations requiring individuals to meet their own needs in old age, tight contracts for the purchase of services for the community from private bodies, competition between public and private providers, cash given to individuals by the state to purchase services - these are merely some ways in which governments in societies with an individualistic set of values may try to mask the growth of government, which social change is forcing, and to which they feel they cannot respond directly. It will not mean less social policy, just more subtle and more diffuse policy.
2. Because consumers will be so much more demanding, knowledgeable and used to responsive private services, public services will have to be as consumer based, as efficient and as aware of their public image as their private counterparts. Easy conditions of service for public servants will become increasingly rare. Performance review, the loss of jobs for life, all of this will make public services much more like private ones. The challenge for social administrators, or public service managers, will be to retain social service values, while achieving greater efficiency. As the experience of the American voluntary hospitals shows, that is by no means an easy task. Market values, and the need to survive in a competitive environment, tend to drive out community goals. Incentive structures in these new competitive environments will need to be thought through, and their results evaluated with great care.
3. More social services are, for good or ill, going to be for the poorer members of society. The number of people who will choose to avail themselves of services that

are less good, than the family are able to afford privately, will diminish. The pull of older notions of social solidarity will wane under the harsh choices posed, like a ghetto school or a private school for one's child. Housing will become increasingly polarised as more people can afford their own home. Thus, those who work in these schools and on these housing estates will face an increasingly difficult professional task and a more thankless one too. Those who train these young people for such careers will have to adapt what they teach to the harsh realities of professional work, in a growingly hostile environment. The students and the teachers will have to come from those deprived communities, otherwise, what they have to offer will never be accepted. We shall have to accept that these communities are going to increasingly find their own means of salvation, running their own businesses, housing associations schools and day centres, separate and unequal. It may not be what the founding fathers of the welfare state envisaged, but it may be the best we can hope for, at least in those societies that have lost their will to live together in peace and harmony, "as an organic whole" as Titmuss (1958) put it.

4. At the same time, as some of the more traditional services dwindle, so others will grow. Long term care for the very elderly, outside institutions, will become an economic necessity, as it will for other dependent groups. Expert care managers who can organise multiple sources of care within a strict budget limit, will be in increasing demand. There will be increasing emphasis on preventive health care, and that will call for a new mix of health and social care professionals. Education will not cease at childhood or youth for the majority of the population. It will continue through life in one form or another. To make that possible, more flexible forms of financing higher and further education will develop. They could well merge with the social security system to give individuals greater capacity to shift their incomes through time, not merely to meet the misfortunes of life, but to open up opportunities too.
5. Social policy is already becoming increasingly concerned with work, access to work, the creation of work, incentives to work. In countries as different as America and Sweden, this can be seen. America is developing a range of programmes designed to give incentives to those on welfare to obtain training and to receive day care. Sweden has created jobs where local deficiencies exist. Both approaches need to go together. Increasingly, that will be a part of the role social agencies will play.

Social Administration : a More Complex Task

If even only some of these possible futures come to pass, the task of administering social policy objectives will become more complex. Ensuring that a mix of public and private agencies are delivering services up to standard, and that they are not just selecting the easiest customers rather than those in greatest need, this will demand a different kind of managerial skill than administering a statutory agency. Richard Titmuss taught us long ago that social policy and administration were more than statutory provisions. Now, more than ever, that is true. The academic task of evaluating the outcome of these interacting forms of social intervention will be a challenge on its own.

Social policy cannot be the study of one set of institutions, as they happened to have evolved at any one point of time in any one society. As I have argued elsewhere, "social policy is essentially concerned with the question: what is the appropriate scope for social

as distinct from individual action? What are the limits to individualism and what are the limits to collectivism in our different societies in a changing world? (Glennerster, 1989). The second order question then becomes : in so far as social action is appropriate, what is the most effective way of achieving its purposes? The menu of choices to meet those purposes has expanded in the last decade, as well as, the purposes themselves.

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