

European and American welfare values:

Case-studies in cash benefits reform

First wave of (OECD) activation

- OECD Jobs Study 1994
- Explore how countries with different traditions/policy cultures ended up adopting ostensibly similar policies

Reforms

- US 1996 AFDC/TANF
- UK 1996 Jobseeker's Allowance/New Deals
- Germany 2000s Hartz reforms
- Sweden, 1990s labour market reform, 2001 pension reform

Three tiers of welfare culture

- A term ‘summing up beliefs, norms, institutions and traditional ways of “doing things” in a society’
(Zetterholm, 1994, p.2)
- The top two tiers of ‘federal’ government
 - USA
 - Washington DC
 - States
 - Europe
 - Brussels (European Commission)
 - National (Member) States
- Individual citizens
 - as revealed by responses to opinion surveys

'Federal' perspectives

European social model

- *...is what distinguishes Europe, where post-war social progress has matched economic growth, from the US model, where small numbers of individuals have benefited at the expense of the majority. Europe must continue to sustain this social model as an example for other countries around the world.*

The European Trade Union Confederation

- *... many see the notion...[of the European Social Model]...as a way of saying that EU work and welfare policy is not the same as, for example, US policy in these fields.*

Anna Diamantopoulou (2003, p.1)

European social model

- Europe's success must not exclude anyone.
- Solidarity should be linked to economic success.
- There is neither dilemma nor contradiction between economic and social progress
- The welfare state is factor of production not a luxury or a by-product of economic development.

Characteristic European provision

- Social citizenship
 - rights to education, health and cash benefits;
- Economic citizenship –
 - rights to employee representation, trade union recognition; employment rights governing conditions of service and providing for sickness and unemployment payments; and
- A commitment to significantly curbing social inequalities perpetuated by the labour market and wealth holding

The Open Method of Coordination

- is an objective orientated procedure to co-ordinate and advance the policies of Member States in areas in which the European institutions have little competence. The process is fuelled by international peer review of national performance.

'Three fundamental American values' President Clinton (1996)

1. *'ensuring that all citizens have the opportunity to make the most of their own lives;*
2. *expecting every citizen to shoulder the responsibility to seize that opportunity,*
3. *and working together as a community to live up to all we can be as a nation'.*

President Jimmy Carter

- *‘The word "welfare" no longer signifies how much we care, but often arouses feelings of contempt and even hatred’ (1974)*
- *‘Welfare waste robs both the taxpayers of our country and those who really and genuinely need help. It often forces families to split. It discourages people from seeking work’ (1977).*

States and nations

Three US political cultures

1. **Moralist** (northern New England, the upper Midwest, parts of the West and Northwest and California)
 - seek to assist the poor but on condition that adults do all that they can to help themselves
 - comparatively generous benefits that were nevertheless often conditional
2. **Individualist** (Mid-Atlantic states and the lower Midwest)
 - the presiding value is tolerance; capitalism, self-interest
 - politics is an arena for the practice of this self-interest
 - comparatively generous benefits and large government
3. **Traditionalist** (South and South West)
 - aim of maintaining the status quo
 - failure to accept social responsibility for the poor
 - benefit levels are low

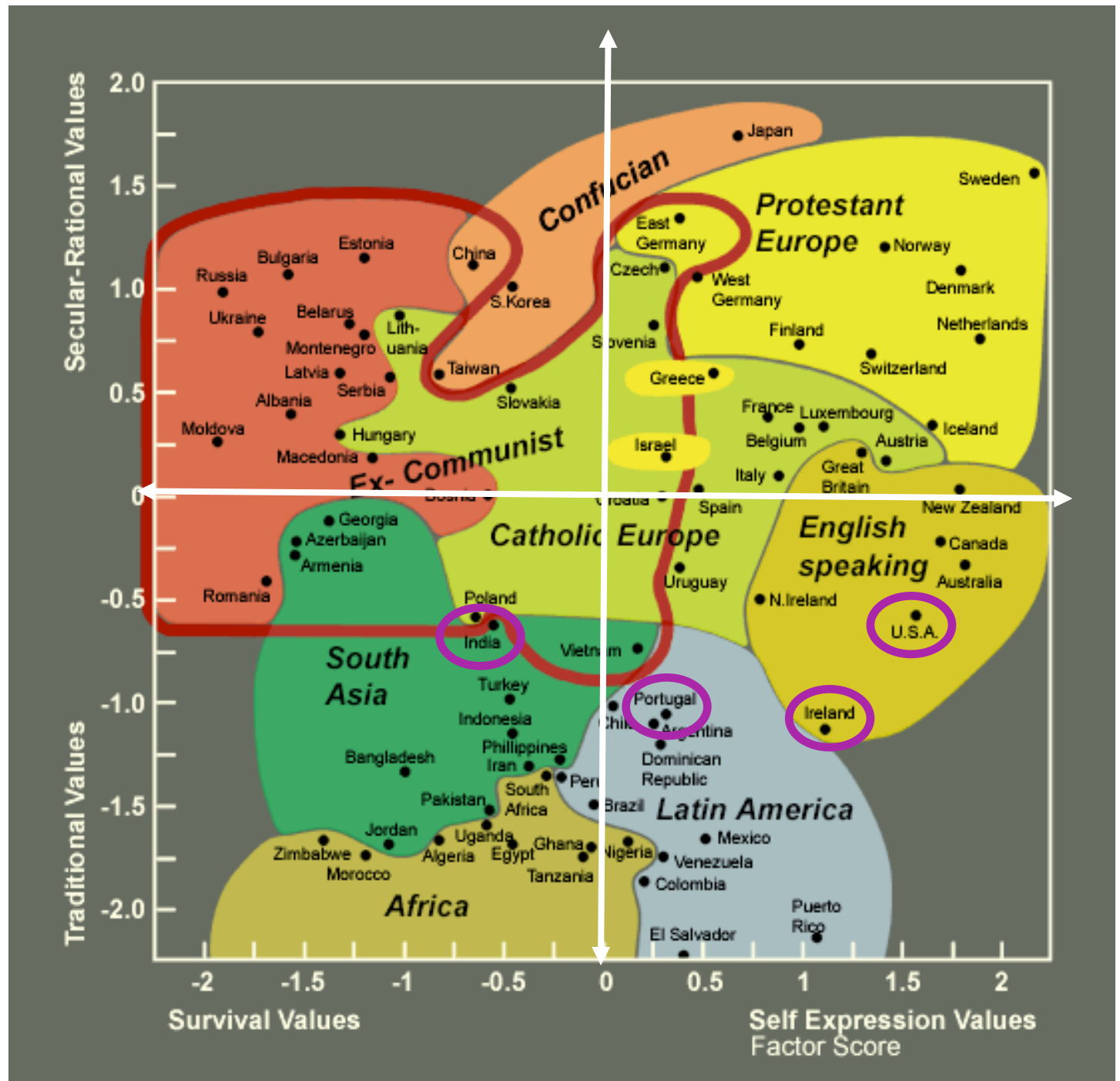
European national cultures

- Four dimensions
 - Eligibility criteria
 - Benefit formulae
 - Financing regulations
 - Organizational and managerial arrangements
- Divides the European 15 into:
 - Scandinavian
 - Anglo-Saxon
 - Bismarckian
 - Southern

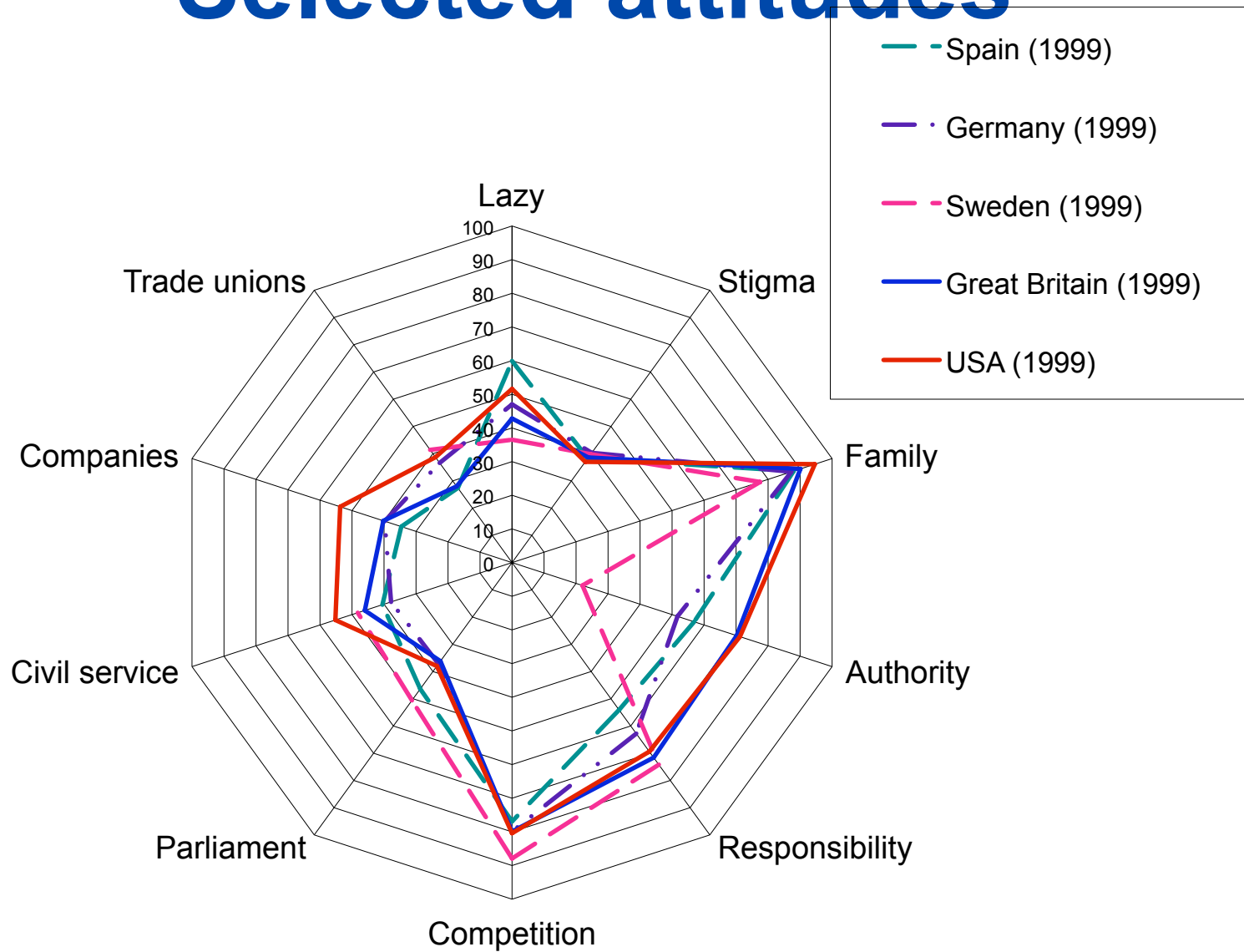
Public Opinion

Inglehart and Welzel

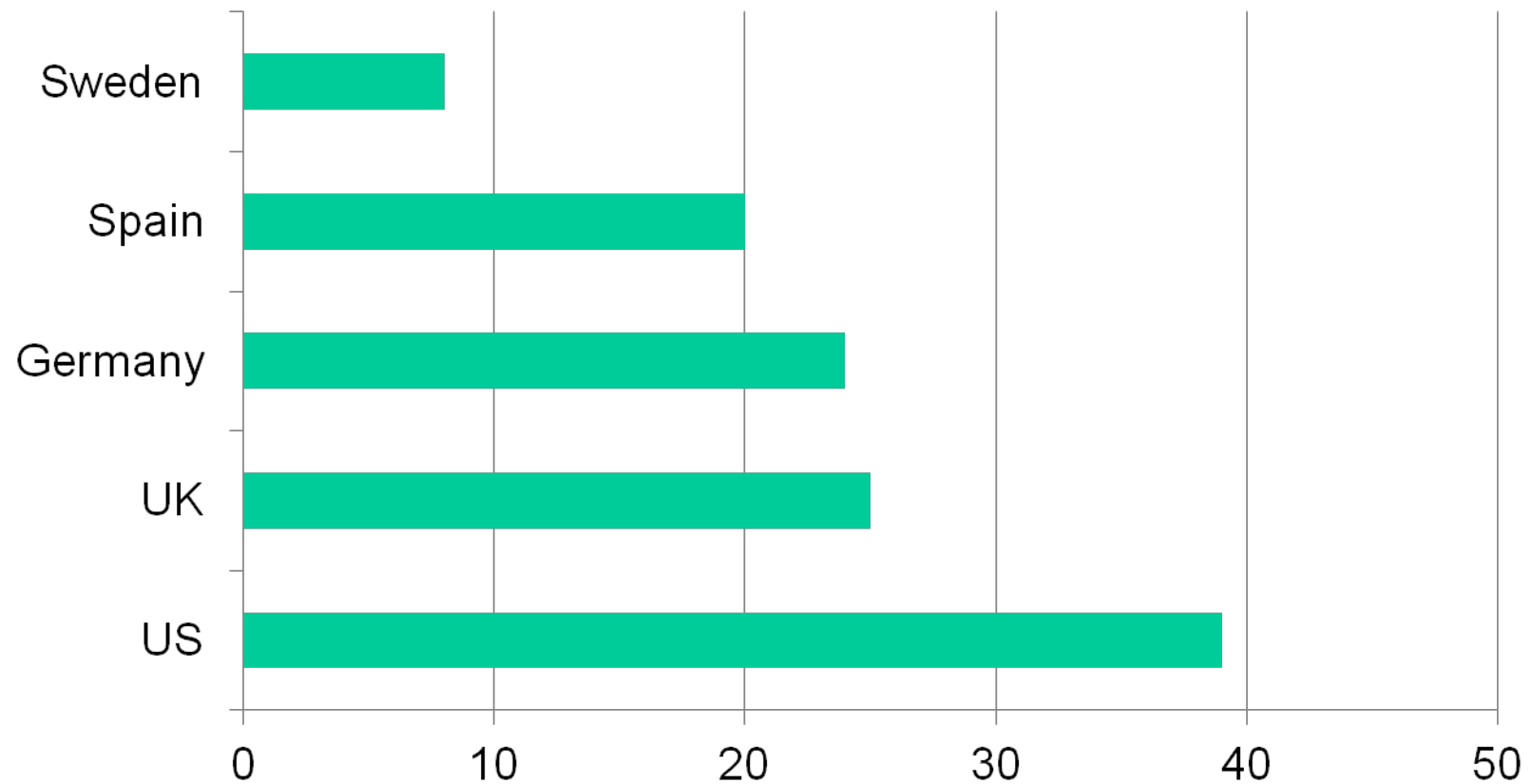
World Values Survey



Selected attitudes



Percent believing poverty due to laziness/insufficient effort



Summary

- Different (contrasting?) welfare cultures
- Marked variation in policy cultures across US states and European Member States
- Communality of dominant values but different specifics
- In US policy elite follows public opinion
- Elsewhere elite led welfare policy reform

Case studies in welfare reform

USA

- In all four examples, reform was driven by the political elite.
- Only in US, where the abolition of AFDC was profoundly ideological, that change was inspired by popular opinion.
 - ADFC widely despised,
 - federal government had freedom to implement radical reform
 - changed institutions and shifted values,
 - rights based scheme replaced with a conditionality
- The reform was one that no sectional group wanted but one that all could live with.
- Apparent success limited the scope for future reform
 - In 2001, the White House met with opposition from state governors as well as liberal politicians,
 - it could no longer appeal to popular opinion because the public and media had, by then, lost interest in welfare.

UK

- Large majority offers unfettered power to implement reform.
- 1997 Labour government was pragmatic and politically strategic.
 - to win a second term, had to convince the electorate that it could manage the economy.
 - New Deals were part of this strategy (OECD) because
 - they would improve the flexibility of the labour market and increase skill levels as well as possibly reducing poverty.
 - Labour used policies inherited from Conservative government
 - Thereby avoided need to alienate its core supporters.
 - Able to exploit the rhetoric of rights and responsibility known to appeal to marginal voters.
 - Entire strategy was shaped to sensibilities of the electorate
 - although the public was probably largely disinterested in the specific policy changes.
 - Labour possibly underestimated its own degree of manoeuvre
 - Before the Iraq War might have secured public support for more redistributive policies to favour the poor.

Germany

- Much more opposition to German policy elite than in UK
- Social insurance in constitution as a right of citizenship.
 - Near universality, fosters social cohesion with personal stake in the same collective institutions.
- Many people saw the Hartz reforms as an attack on social insurance to be resisted to protect materially more important components of social security to be threatened.
- Government recognized the domestic political risks, (e.g. relationship between the federal government and the new and old Länder)
 - But, intellectually bought into OECD /New Labour style labour market flexibility
 - Felt constrained by obligations to the European political project
- However, growing antipathy to Europe became linked in the public mind with both the Hartz reforms and the sluggish economy.
- Schröder, like Clinton in the US, lost control of the political agenda,
 - but while the American public got more of the policies that they quite liked,
 - in Germany the gulf between political elite and populace widened.

Swedish reforms

- **1990s**
 - Rehn-Meider model (Active labour market policy) under pressure with nearly 4% of the labour force on programmes
 - Subsidies introduced to encourage employers to recruit long-term unemployed,
 - Work experience schemes that paid participants benefit
 - Earnings related unemployment benefit was reduced from 90 % to 75 %, and a four day waiting period introduced.
- **2001**
 - Role of the universal flat rate pension reduced
 - Supplemented with a pay-as-you-go earnings-related pension and a fully funded component (*premiereservsystem*).
 - Hence, a defined benefit scheme replaced by a defined contributions

Sweden

- Like Germany, Swedish the political elite chose social security reform unpalatable to the electorate, challenging long understood norms
- Reduced commitment to high replacement rates as a social reward for previous labour, maintained living standards and facilitated rational choices about any return to work.
- Reneged on social contract/reciprocity inherent in contributory
- Trade union-orchestrated opposition was vocal and partially successful.
- Governments were elected out of office, partly because of the reforms, but in large measure, the reforms continued on the statute book
- Economic success arguably linked to the reforms means that a welfare culture with slightly lower benefits, higher contributions and an increased role for private, market linked provision has become accepted/not actively resisted, by the public as well as by the elite.
- Enhanced living standards for the many may outweigh current losses for the few and overshadow the likelihood of significant losses for future pensioners.

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US Reforms 1996

'Ending welfare as we know it'

- Temporary Assistance for Needy Families (TANF) replaced Aid for Families with Dependent Children (AFDC)
- States were given greater freedom in programme design
- Federal funding for TANF was made subject to a 60 month life-time limit for any individual,
- States were given targets for the enrolment of benefit recipients in work-related activities.

Formal objectives, TANF

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy families on government benefits by promoting job preparation, work and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. Encourage the formation and maintenance of two person families.

UK Reform:

‘Work for those who can, security for those who can’t’

- 1996 Jobseeker’s Allowance replaces Unemployment Benefit (Jobseeker’s agreement)
- 1997 New Deal activation
- Introduction of a minimum wage
- In-work tax credits to increase work incentives (to *‘make work pay’*)(and redistribute incomes)
- Enhanced benefits for children
- National childcare strategy.

German reform:

‘Courage for change, promote and challenge’

- Hartz I: measures to create work including provision of temporary jobs.
- Hartz II: established job centres and ‘mini-jobs’ with reduced social insurance payments for employers.
- Hartz III: restructured the Federal Employment Service as the Federal Employment Agency
- Hartz IV:
 - federal insurance based unemployment assistance was merged with social assistance,
 - an integration agreement (analogous to the UK Jobseeker’s Agreement) sanctions for non-compliance,
 - caseworkers (similar to New Deal personal advisers in the UK),
 - requirement for claimants to accept any job

Swedish reforms

(repeat slide)

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