

Defining and Characterising the Welfare State

The welfare state emerged historically as a top-down solution to the problem of how to secure social protection and security in the context of an urbanised capitalist economy, with large numbers of wage labourers subjected to the depersonalising forces of a commodified labour market, and faced with serious hardship if paid employment was lost for reasons outside the worker's control (for example, injury, sickness, firm closures or layoffs in a recession).

The move from reliance on the rural economy (where subsistence could generally be secured) to wage labour produced increased insecurity. Alongside this were the issues of providing means of survival for the old (since retiring workers leaving the labour force moved into economically idle status in the cities, often without support from extended kin networks) and for the dependents of workers. A key element in this was public provision of health and education.

Barr (1987: 5) concedes that:

The concept of the welfare state ... defies precise definition. ... First, the state is not the only source of welfare. Most people find support through the labour market for most of their lives. ... Individuals can secure their own well-being through private insurance; and private charities, family and friends also provide welfare. Second it does not follow that if a service is financed by the state it must necessarily be publicly produced. ... Welfare is thus a mosaic, with diversity both in its source and in the manner of its delivery. ... [T]he term 'welfare state' can ... be thought of 'as a shorthand for the state's role in education, health, housing, poor relief, social insurance and other social services' [citing Ginsburg].

Central to the definition is the determination of some limit on what makes a state a welfare state, as distinct from other sorts of states. Proponents of the minimalist state in Enlightenment thinking, exemplified by Adam Smith's classic statement, sought to limit the state to three legitimate roles: defence, justice and public works (Smith, 1776, Book IV, Chapter IX, para. 51):

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties

of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

The key qualification in this passage from Smith comes right at the start: 'all systems either of preference or of restraint being completely taken away'. The welfare state emerged from the attempt in European and North American societies (and especially in the United Kingdom) to achieve this removal of 'preference or restraint' in order that the 'system of natural liberty' could flourish. The welfare state was, somewhat ironically, implied philosophically by the Enlightenment at the same time as it was driven into existence historically by the aftermath of the industrial revolution.

To remove all trace of 'preference', income distribution across classes and across individuals must be in accord with some underlying scheme of justice in distribution. To remove all 'restraint', it is necessary to prevent or countervail any exercise of market power which impinges upon the efficient allocation and productive use of resources, as well as to end those government interventions which are designed to benefit particular vested interests at the expense of the nation as a whole. Income redistribution and market regulation become preconditions for Smith's system of natural liberty in any setting where the existing distribution of wealth is unjust or where monopoly imposes allocative inefficiency on markets.

To achieve Smith's preconditions of natural liberty in the historical setting of nineteenth and twentieth century England turned out to require a remarkable expansion of the scope and powers of the state, both to redistribute income in pursuit of social justice, and to regulate monopoly in pursuit of market efficiency as well as social justice.

In addition, Smith's identification of public works as one of the three legitimate areas of state activity opened up an ever-growing category of public goods which are more efficiently provided by the public sector than the private, because of the likelihood of undersupply if such works are left to private initiative, and the opportunity to reap economies of scope and scale by universal public provision.

Smith's case for 'public works' was thus extended, from the nineteenth century onwards, to the direct provision in kind of education, healthcare and sometimes housing for the mass of the population. Direct provision in kind of these basic services was usually considered less fiscally burdensome than paying monetary income supplements to disadvantaged households and relying on them to spend the money wisely.¹

Consequently, when Barr (1987: 6–7) laid out his 'minimum' statement of what the British welfare state comprised, he included not only social security benefits in

money terms (in turn comprised of national insurance and non-contributory benefits), but also 'benefits in kind' – the National Health Service, the education system and public housing. In sum, he estimated expenditure on the 'welfare state' thus defined at £85,722 million, out of total public spending of £163,400 million in 1986/87 – roughly half.

Mkandawire (2006: 1) defines social policy as 'state intervention that directly affects social welfare, social institutions and social relations'. Included among the elements of social policy are 'direct government provision of social welfare through, for example, broad-based education and health services, subsidies and benefits, social security and pensions, labour market interventions, land reform, progressive taxation and other redistributive policies'. Mkandawire notes that the development of social security was inextricably linked with the rise of successful industrial economies in Europe, and he makes a case for universal provision of social security as a key part of the effort to eradicate poverty in developing countries.

The notion that the state has a responsibility for the welfare of its citizens became part of the 1948 UN *Universal Declaration of Human Rights*, which sets out several specific sets of rights that are potentially relevant to this paper: the right to migration (Article 13); to 'social security' and 'dignity and the free development of personality' (Article 22); to a fair wage, equal pay for equal work and the right to organise (Article 23); to 'a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control' (Article 25); to free primary education (Article 26); and to participation in cultural life and possession of intellectual property (Article 27).

Of these, Townsend (2007: vii) emphasises the right to social security and the right to an 'adequate' standard of living. These define the minimal welfare state, forming component I in Figure 2.1 below.

Free primary education and access to advanced education, along with universal healthcare, gives a second component of a possible welfare state, component II.

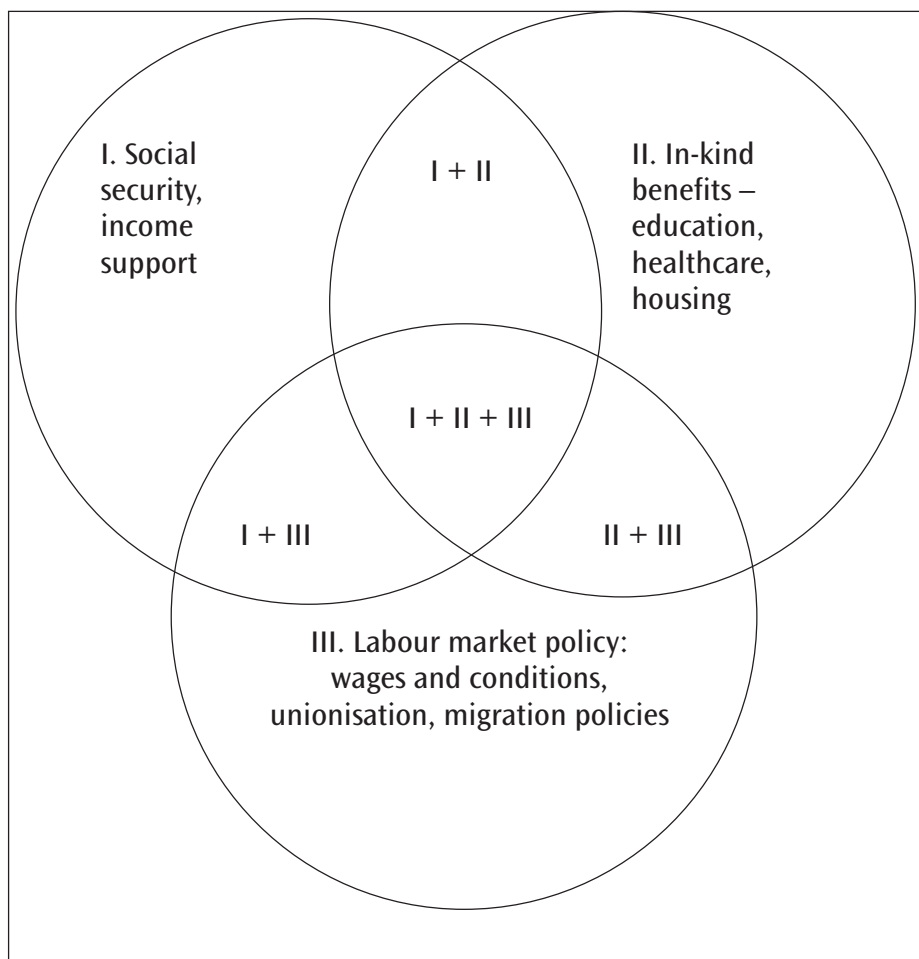
Adding some of the labour market rights, including migration, 'just and favourable conditions of work' and unemployment protection, adds component III.

In a welfare state of type I the state's responsibility is to fund and organise income support for individuals or groups who have been unable to achieve 'adequate' living standards in the marketplace.

In a welfare state of type II the state takes responsibility for underwriting the education (human capital acquisition) and health of new generations entering the labour force and the community – effectively an investment in the future and in widening people's horizons.

Clearly, there is a large zone of overlap, I+II, into which many actual Organisation of Economic Co-operation and Development (OECD) welfare states fall.

Figure 2.1. The welfare state menu



In region III of Figure 2.1 the focus of social policy expands to regulation of workplace practices and responsibility for the life-cycle prospects of the state's citizens wherever they may be in the global system; in the overlapping parts of the diagram I+III, II+III, and I+II+III the social security and education functions become linked to labour market dynamics and outcomes.

Pure type-III welfare states are rare among large economies, but can potentially be found in some small states where living standards and life prospects hinge upon migration and in which public services are undeveloped or routinely accessed overseas. In the small states setting, involvement of social policy with the labour market seems inescapable because of the widespread role of out-migration, both as a positive path of upward mobility and as a safety valve in the face of falling incomes, health, education or other indicators of social welfare at home.

Migration potentially replaces a state-funded safety net as a refuge for the destitute and the unemployed, reducing the residual social welfare clientele of non-migrants for whom remittances are inadequate to meet the government's target living standard for its citizens. This is true whether destitute individuals migrate on their own account or are supported by remittances sent home by migrant relatives.

It should be possible to map small states onto Figure 2.1 in much the same way as they are mapped onto modes of economic development in Bertram (2006) and Baldacchino and Bertram (2009).