

Contemporary Challenges to Welfare State Development

CHRISTOPHER PIERSON

University of Nottingham

That convenient division of academic labour which once made study of welfare states principally the responsibility of sociologists has broken down. Of course, there were always a few political scientists and rather more economists who concerned themselves with the making of social policy. In the last ten years, however, and for a number of reasons (ranging from the ageing of the population to the end of the Cold War) questions of welfare have risen towards the top of the political studies agenda. Such a development is long overdue, given the importance of welfare provision in both governments' activity and spending, as well as its centrality in discussions of rights, equality, justice, citizenship and so on in contemporary political theory. But it also presents a problem. Recent years have seen an avalanche of new work on the welfare state. Within the broad field of political studies this has involved work in political theory, in the study of policy making, on new forms of public administration, on the role of parties and elections, on changes in public opinion and on the structure of public finances. It has also sponsored a great deal of inter-disciplinary work with historians, sociologists, demographers and (international) political economists. No contemporary survey of the many things happening to, and being said about, welfare states could pretend to be exhaustive. I shall, for example, say comparatively little about the crucial development of feminist theories of welfare and citizenship or about the ongoing conservative critique of welfare dependency, both of which have been very ably and recently reviewed.¹ I shall also have comparatively little to say about important developments in the use of statistical techniques to illuminate patterns of welfare state development.² My more modest intention here is to assess the state of our knowledge in five or six key areas that have developed in the 1990s and to draw some general conclusions about future prospects for the welfare state and its political study.

¹ For excellent surveys of the recent literature see J. O'Connor, 'From Women in the Welfare State to Gendering Welfare State Regimes', Special Issue, *Current Sociology*, 44, 2 (1996); N. Barry, 'Conservative thought and the welfare state', *Political Studies*, 45, 2 (1997), 331-45; P. Wilding, 'The welfare state and the Conservatives', *Political Studies*, 45, 4 (1997), 716-26.

² As, for example, in A. Hicks and J. Misra, 'Political resources and the growth of welfare in affluent capitalist democracies', *American Journal of Sociology*, 99, 3 (1993), 668-710 and T. Janoski and A. M. Hicks, *The Comparative Political Economy of the Welfare State* (Cambridge, Cambridge University Press, 1994).

© Political Studies Association 1998. Published by Blackwell Publishers, 108 Cowley Road, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA

1. Comparative Welfare State Development: the Regimes Debate

Within the UK, the welfare state has often been seen, rather quaintly, as a uniquely British achievement (give or take the occasional reference to Bismarck's authoritarian precursor). The greater dissemination of individual case studies and the emergence of a genuinely comparative politics of welfare state development over the past decade has made this particular conceit unsustainable. To a range of detailed single-country surveys (such as Jones' *Australian Welfare State* and Armitage *Social Welfare in Canada Revisited*) have been added a number of multi-country surveys, following the heroic example of Peter Flora's five-volume *Growth to Limits*.³ These national case studies have shown how parochial our conceptions of welfare innovation have traditionally been (with New Zealand and several European states introducing old age pensions well ahead of Britain, for example). The newer comparative literature shows both notable similarities (sometimes very explicitly the product of 'policy transfer') and substantial and persistent differences between different states' approaches to social provision.

Probably the most sustained interest in the comparative literature has been focussed on the discussion of differing welfare state *regimes*. There has long been a (rather generalized) division between broadly 'Beveridgian' and 'Bismarckian' welfare states and the wily old master, Richard Titmuss, further distinguished between a *residual welfare* model (minimal state relief of destitution), an *industrial achievement-performance* model (in which welfare status reflects employment status) and an *institutional redistributive* model (in which universalist services are provided across the population in relation to need).⁴ The really influential account in recent discussions, however, has been that outlined in Gosta Esping-Andersen's (1990) *Three Worlds of Welfare Capitalism*.⁵ The variation in welfare states is not best captured, so Esping-Andersen argues, by focussing exclusively upon levels of social expenditure (as had most of the previously prevailing literature). There is no straightforward continuum from 'mean' low spenders to 'generous' big spenders. We have to look beyond expenditure levels to consider the terms and conditions upon which resources and opportunities are (re)distributed. We have, therefore, to look at differing types of welfare state *regime*. Two axes are of especial importance in identifying these welfare state regimes: first, the extent to which they *decommodify* wage labour and second, the extent to which they *stratify* the status of welfare recipients.

Using these criteria, Esping-Andersen isolates three 'typical' clusters of welfare state regimes. *Liberal welfare states* are dominated by the logic of the market. Benefits are modest, often means-tested and stigmatizing. They tend to be low spenders. Examples are the UK, the USA, Canada and Australia. *Conservative/corporatist welfare states* are less in thrall to markets but their benefits tend to be stratified and overall redistributive effects are 'negligible'. In many instances, these corporatist regimes are shaped by Church traditions and this tends to determine their conservative attitudes to the family and gender, as

³ Michael Jones, *The Australian Welfare State Evaluating Social Policy*, 4th ed. (Sydney, Allen and Unwin, 1996); A. Armitage, *Social Welfare in Canada Revisited* (Ontario, Oxford University Press, 1996); P. Flora (ed.), *Growth to Limits* (Berlin, De Gruyter, 1986-87).

⁴ R. Titmuss, *Social Policy* (London, Allen and Unwin, 1974), pp. 30-1.

⁵ G. Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge, Polity, 1990).

well as their endorsement in social policy of the principle of *subsidiarity*. Esping-Andersen's typical examples are Austria, France, Germany and Italy. The third regime type is the *social democratic welfare state* (exemplified by Norway and Sweden) which is based on universalism and the usurpation of the market. It is, of necessity, committed to the principle of full employment, since 'the enormous costs of manning a solidaristic, universalistic and de-commodifying welfare state' can be best, perhaps only, achieved 'with most people working, and the fewest possible living off social transfers'. Here, social consumption expenditure tends to be high, whilst spending on transfers is comparatively low.

Three Worlds was a landmark text both because of its genuinely comparative orientation (many earlier 'comparative' studies had tended to 'compare' one favoured option with the rest) and its emphasis upon the *political economy* of welfare rather than simply the social security apparatus of the state. It was one of the first studies to make full use of new statistical resources (now including the Luxemburg Income Study data) to develop more complex models of the distributional outcomes of social provision. Much of the burgeoning comparative welfare state literature of the 1990s can be seen as a 'settling of accounts' with Esping-Andersen. Two of these developments have been of especial interest. First, there has been an attempt to identify additional or alternative 'regime types'. Secondly, there has been an insistence that Esping-Andersen's focus upon decommodification (and thus, by implication, the world of waged work) needs supplementing with other classificatory criteria.

In the first category is Castles and Mitchell's re-interpretation of Esping-Andersen's original classification.⁶ Castles and Mitchell insist that there is a fourth and 'radical' regime type lurking in Esping-Andersen's evidence. These states (Australia, New Zealand and the UK) appear as 'liberal' in Esping-Andersen's classification, but Castles and Mitchell insist that their distinctive combination of low expenditure *plus* high levels of redistribution merit consideration as a distinctive *radical* regime-type. Of course, this 'radicalism' may now be a part of history, since taxation regimes in all these states (especially New Zealand and the UK) are much less progressive now than when the relevant data was collected (in the 1980s). But their analysis contains a more general and extremely salient point, which is especially well illustrated by the Australian experience. It is that quite conventional welfare state goals may be delivered through quite unconventional (and sometimes consequently unreported) channels. Thus, a quite central aspect of 'decommodification' in the Australian context is the 'award' system of judicial wage-setting which dates back to the 1920s and which is still a crucial component in the operation of labour markets. Similarly, (internationally quite variable) levels of home ownership may have a decisive impact upon the (in)equality of welfare outcomes which standard redistributive indices do not fully capture. Even means testing has a quite different resonance in Australia from that which a European commentator might anticipate (and perhaps incorporate in his welfare models). Interest in these welfare state alternatives (which their supporters, at least, would classify as broadly social democratic in intent) has intensified as the social democratic welfare state and, above all, 'the Swedish Model' has been seen to be in serious difficulties.⁷

⁶ F. Castles and D. Mitchell, 'Identifying welfare state regimes', *Governance*, 5, 1 (1992), 1-26.

⁷ A. Gould, *The Swedish System in Turmoil* (London, Social Policy Association, 1995).

A second area of particular interest for those seeking to build upon Esping-Andersen's typology has been the emergent welfare states of southern Europe. Stephan Leibfried has identified a distinctive type of welfare state in what he characterizes as the 'Latin Rim' countries of the European Union (Portugal, Spain, Greece and, in some limited respects, Italy and France).⁸ He described these as 'rudimentary welfare states', playing 'catch up' with their more developed northern neighbours. Typically, these welfare states promised much but had quite underdeveloped delivery systems and relied, in practice, on much older systems of social support from the family and the Catholic Church. More recently, Maurizio Ferrera has outlined a number of distinctive features which serve to define the 'southern' model of welfare. These include a highly fragmented and distorted system of income maintenance (with pensions ranging from the hugely generous to the negligible), a (partially realized) commitment to national health care systems and the delivery of services through a mixture of underdeveloped state institutions and clientelistic party political networks. There is an indication that in some of these states the combination of substantial policy commitments, clientelistic party politics and a weak state capacity (to raise taxation and deliver well-regulated services) may trigger 'fiscal crises' more severe than those so far weathered (with some difficulty) in northern Europe.⁹

So far, the comparative study of welfare states and the attempt to construct sophisticated typologies has tended to be focussed upon those countries with the most developed economies. These are the states with the richest statistical bases and in which most of the researchers live! There has, however, been increasing interest in welfare arrangements outside these areas. The political economy of Japan and its employment-related welfare have long been part of the ageing industry of 'explaining' the Japanese 'economic miracle'. In more recent years, this interest has spread into the neighbouring 'Asian tigers' although, thus far, attempts to construct a Japanese or 'Confucian' model of welfare have met with qualified success.¹⁰ Another area of heightened interest has been the 'transition' welfare states of the former Soviet Union, particularly those in eastern Europe.¹¹ Of course, welfare was deeply embedded in the 'full employment' regimes of the old Soviet-style economies. A crucial aspect of processes of marketization and privatization in these states has been the transformation of public welfare provision. There is evidence of substantial variation in post-communist experience, related to both the general state of the economy and the administrative capacity of the new states. Finally, there has been a growing interest in welfare arrangements in Latin America. Object of the greatest attention here has been the Chilean pension system which has been exhaustively surveyed and reviewed ever since the World Bank recommended it

⁸ S. Leibfried, 1993, 'Towards a European Welfare State', in C. Jones (ed.), *New Perspectives on the Welfare State in Europe* (London, Routledge, 1993), pp. 133-56.

⁹ M. Ferrera, 1996, 'The "southern model" of welfare in social Europe', *Journal of European Social Policy*, 6, 1 (1996), 17-37.

¹⁰ R. Goodman and I. Peng, 'The East Asian Welfare State', in G. Esping-Andersen (ed.), *Welfare States in Transition* (London, Sage UNRISD, 1996), C. Jones, 'The Pacific Challenge: Confucian Welfare States', in *New Perspectives on the Welfare State in Europe* (London, Routledge, 1993), pp. 198-217. G. Esping-Andersen, 'Hybrid or unique? The Japanese welfare state between Europe and America', *Journal of European Social Policy*, 7, 3 (1996), 179-89.

¹¹ N. Manning, 'Social Policy and the Welfare State', in D. Lane (ed.), *Russia in Transition* (London, Longman, 1995); for an early survey, see Bob Deacon, *The New Eastern Europe* (London, Sage, 1992).

in 1994 as a model to be followed throughout the Western world and 'the answer' to the problems of ageing societies.¹²

A second set of responses to Esping-Andersen's *Three Worlds* has come from those who insist that the almost exclusive focus upon labour-market indicators to classify welfare states is misplaced. *Decommodification* is an inappropriate measure of welfare entitlement for those whose welfare opportunities are not (or are not predominantly) defined by their relationship to the formal labour market. Critics insist that Esping-Andersen is still too beholden to a traditional social democratic model of what a welfare state should be (a full employment society with extensive universalist rights) and unaware of the limitations of such an account as an ideal of social citizenship. The most important source of these criticisms has been a number of feminists writers.¹³ Thus Jane Lewis constructs an alternative typology comparing a number of European welfare states in terms of their varying correspondence to a 'male-breadwinner model' in which social policy is built around the gendered division of 'breadwinning for men and caring/homemaking for women'.¹⁴ Within this typification, Lewis identifies Britain as a 'strong male-breadwinner' state which, despite the removal of many explicit forms of discrimination against women, still underwrites a gendered welfare state (through, for example, its failure to make adequate child care provision): 'while no effort is now made to stop women working, the assumption is that women will be secondary wage earners and, despite the large numbers of women in paid employment, they tend to be in short part-time, low status work'.¹⁵ In Lewis's classification, France is characterized as a 'modified' male breadwinner state (with much of the modification being routed through family policy) with Sweden as the weakest male bread-winner state. In a similar contribution, Orloff seeks to reconcile mainstream and feminist accounts in proffering an account of regimes which is much more sensitive to the gendered impact of existing social policy provision (and omissions). She draws attention to family as a dimension of welfare delivery, to the gendered impact of the state's treatment of paid and unpaid labour and to the gender-blindness of prevailing conceptions of welfare citizenship and decommodification. She adds two further elements to regime classification: differential access to paid work and 'the capacity to form and maintain an autonomous household'.¹⁶

Finally, in this context, there has been a growing concern that Esping-Andersen's classification applies best to more traditional 'employment societies', that is to societies which, even if they did not support full employment, built their welfare apparatus around lifelong (male) involvement in waged work. Increasingly, developed economies have deviated from this model. Apart from the obvious rise in unemployment, there has been a transformation in the gender composition of the workforce, in the balance between full-time

¹² World Bank, *Averting the Old Age Crisis* (New York, Oxford University Press, 1994).

¹³ J. Lewis, 'Gender and the development of welfare regimes', *Journal of European Social Policy*, 2, 3 (1992), 159-73; J. O'Connor, 'From Women in the Welfare State to Gendering Welfare State Regimes', Special Issue: *Current Sociology*, 44, 2 (1996); A. S. Orloff, 'Gender and the social rights of citizenship: the comparative analysis of gender relations and welfare states', *American Sociological Review*, 58 (1993), 303-28; D. Sainsbury, *Gendering Welfare States* (London, Sage, 1994); J. Lewis, 'Gender and welfare regimes', *Social Politics*, 4 (1997), 160-77.

¹⁴ Lewis, 'Gender and the development of welfare regimes', p. 161.

¹⁵ Lewis, 'Gender and the development of welfare regimes', p. 165.

¹⁶ Orloff, 'Gender and the social rights of citizenship', pp. 318-22.

and part-time employment, in (perceived) levels of job security and so on. Increasing numbers of people enter the workforce late or leave it early or participate on an intermittent basis. Low wages, short hours and activity in the informal economy mean that a declining proportion of the adult population of working age are developing an entitlement to 'earned' or contributory benefits.¹⁷ One policy response – that favoured by the New Labour Party in the UK, for example – is to promote a movement from 'welfare to work', that is to fashion a society and economy in which participation in the formal workforce (and entitlement to its attendant rights) is encouraged. A radical alternative is to accept (maybe even welcome) the end of the employment society and to recast economy and society in ways which disengage employment from income (and welfare).

This 'radical' alternative is perhaps best represented by Philippe van Parijs whose *Real Freedom for All* is probably the most significant normative text on welfare of the 1990s.¹⁸ What van Parijs offers, in an analytic style which befits its publication by Oxford University Press, is a sustained defence of the case for a *maximal* Basic Income form of capitalism. At its simplest, a Basic Income is an income paid to all of a community's residents irrespective of any other criteria (including the willingness to work, existing wealth or household status). That part of van Parijs' argument which applies most directly to social policy insists that the classical social democratic welfare state ('the first marriage of justice and efficiency') is exhausted. Reconciling justice and efficiency, and optimizing real-freedom-for-all, now requires a (rather unconventional) form of capitalism combined with the largest sustainable basic income. It also requires a framework of transfers to deal with the unequal endowment of natural talents. Van Parijs' argument is complex and brilliantly sustained (even if his arguments about political feasibility are hard to accept). His impassioned defence of 'why Surfers should be fed' should be the bible of beach-bums across the planet, though one supposes that most will exercise the real-freedom not to read it.

2. The New Welfare History

In Britain and the USA, there is a longstanding record of distinguished historical writing on the welfare state which in the British case could plausibly be retraced to the work of Sidney and Beatrice Webb.¹⁹ Whilst some of this literature was distinctly whiggish – with an heroic struggle leading to 'breakthrough' in either 1935 (in the USA) or 1945 (in the UK) – much of it was quite sceptical about the sorts of claims typically made about progress into and through the welfare state.²⁰ This sceptical tendency is still clearer in the most recent historical work on welfare. In the UK, practical difficulties after 1979 have encouraged a more critical interrogation of the record of the British welfare state in its 'golden age'

¹⁷ See, for example, Commission on Social Justice, *Social Justice: Strategies for National Renewal* (London, Vintage, 1994).

¹⁸ P. Van Parijs, *Real Freedom for All: What (If Anything) Can Justify Capitalism?* (Oxford, Oxford University Press, 1995).

¹⁹ S. Webb and B. Webb, *English Local Government* (London, Longmans Green, 1910).

²⁰ See, for example, P. Thane, *Foundations of the Welfare State* (London, Longman, 1982); A. Briggs, 'The Welfare State in Historical Perspective' (1961), reprinted in C. Schottlan (ed.), *The Welfare State* (New York, Harper and Row, 1969), pp. 35–45; on the USA, see F. F. Piven and R. Cloward, *Regulating the Poor* (New York, Pantheon, 1971).

with a greater emphasis upon economic aspects of social policy and the enduring context of Britain's long-term comparative economic decline.²¹ In the USA, writing about welfare has always meant still more explicitly writing about poor people (and sometimes their political movements). In the 1990s, it also means writing (more or less explicitly) about the politics of race. The former is seen especially clearly in the fourth edition of James Patterson's *America's Struggle Against Poverty* and in Michael Katz's *In the Shadow of the Poorhouse*.²² Possibly the best representative of the latter is Jill Quadagno, whose *Color of Welfare* is the culmination of a decade's writing on racism in America's welfare history.²³ Recent years have also seen a growth in the comparative historical literature on welfare states.²⁴ Possibly the most influential of these sources has been Peter Baldwin's 1990 text: *The Politics of Social Solidarity: Class Bases of the European Welfare State 1875–1975*.²⁵ Here Baldwin seeks to write the European middle classes into the history of welfare state origins arguing that the development of social policy was shaped not just by working class movements but rather by the capacity to forge sustainable alliances between working class and middle class political actors built around their mutual interests (fashioned in turn around their common vulnerability to the same sorts of socially insurable risks). This meant significantly revising those accounts of the more expansive social democratic welfare states of Scandinavia which had often been represented as essentially the product of social democratic economic and political forces.²⁶

The last decade has seen a burst of new historical writing on welfare in the USA and it takes only a little synoptic licence to attribute much of this work to a 'school' loosely identified around the example of Theda Skocpol. Skocpol's own contribution is principally to be found in *The Politics of Social Policy in the US* (edited with Weir and Orloff), in the papers collected as *Social Policy in the US* and in the magisterial *Protecting Soldiers and Mothers*.²⁷ This body of work owes much to Skocpol's earlier insistence upon 'bringing the state back in' and to her commitment to work within a 'structured polity' perspective embodying four kinds of processes: '(1) the establishment and transformation of state and party organizations through which politicians pursue policy initiatives; (2) the effects of political institutions and procedures on the identities, goals, and capacities of social groups that become involved in the politics of social policymaking; (3) the "fit" – or lack thereof – between the goals and capacities

²¹ R. Lowe, *The Welfare State in Britain since 1945* (London, Macmillan, 1993); N. Timmins, *The Five Giants. a Biography of the Welfare State* (London, HarperCollins, 1995).

²² J. Patterson, *America's Struggle Against Poverty: 1990–1994* (Cambridge MA, Harvard University Press, 1995); M. Katz, *In The Shadow of the Poorhouse* (New York, Basic, 1986).

²³ J. Quadagno, *The Color of Welfare* (London, Oxford University Press, 1994).

²⁴ Following the earlier example of H. Heclö, *Modern Social Politics in Britain and Sweden: from Relief to Income Maintenance* (London, Yale University Press, 1974); W. Mommsen, *The Emergence of the Welfare State in Britain and Germany* (London, Croom Helm, 1981); P. Flora (ed.), *Growth to Limits* (Berlin, De Gruyter, 1986/87); D. E. Ashford, *The Emergence of the Welfare States* (Oxford, Blackwell, 1986).

²⁵ P. Baldwin, *The Politics of Social Solidarity* (Cambridge, Cambridge University Press, 1990).

²⁶ As, for example, in W. Korpi, *The Democratic Class Struggle* (London, Routledge Kegan Paul, 1983).

²⁷ M. Weir, A. S. Orloff and T. Skocpol, *The Politics of Social Policy in the US* (New Haven, Princeton University Press, 1988); T. Skocpol, *Protecting Soldiers and Mothers: the Political Origins of Social Policy in the US* (Cambridge MA, Harvard University Press, 1992); T. Skocpol, *Social Policy in the US* (New Haven, Princeton University Press, 1995).

of various politically active groups, and the historically changing points of access and leverage allowed by a nation's political institutions; and (4) the ways in which previously established social policies affect subsequent politics'.²⁸ Within this institutional context, Skocpol emphasizes the salience of gender in explaining the origins of (differing) welfare regimes. Here her focus is not just upon the welfare state as a medium of patriarchal domination but also as a context in which (mostly white and middle-class) women mobilized around a politics which sought to institutionalize womens' domestic values in public life.

In substance, Skocpol rejects those prevailing accounts of social policy experience which have seen the US as a minimalist welfare state 'laggard'. Certainly, the USA has had a distinctive welfare state history but this is not simply the product of a culture of Lockean liberalism or the absence of a European-style party of organized labour. Somewhat counter-intuitively, Skocpol argues that the USA was in fact a precocious welfare spender introducing a system of pensions for Civil War veterans which in the late nineteenth century dwarfed social provision in most other similarly developed states. As the survivors of the Civil War died out in the early twentieth century there was, however, little enthusiasm for replacing the veterans' programmes with a more universal system of old age pensions. Rather, in the first third of the century, 'America came close to forging a maternalist welfare state, with female-dominated public agencies implementing regulations and benefits for the good of women and their children'. Thus, the early American welfare state was all about 'protecting soldiers and mothers'.²⁹

This historical-institutionalist approach to the development of the American welfare system has informed a number of recent texts. One of Skocpol's collaborators, Ann Orloff, has written a detailed comparative history of pensions in Britain, Canada and the US.³⁰ *Pitied but not Entitled* is Linda Gordon's 1994 study of single mothers in the history of American welfare. The central paradox she addresses is why 'several generations of brave, creative, smart, and feminist women' helped to create Aid to Dependent Children which 'has become one of the most-hated governmental programs'.³¹ Her complex answer requires an awareness of the cultural, political and institutional context in which ADC was first proposed, of the history of the programme and of the changes in American society and economy which have transformed its effect over the past sixty years. Susan Pedersen's *Family, Dependence and the Origins of the Welfare State* applies some of the same techniques to the detailed comparative investigation of the genesis of family policy in France and Britain between 1914 and 1945.³² Here again, a very detailed analysis of particular initiatives is used to debunk traditional generalizations about the growth of welfare state programmes and to explain how France, with a weaker feminist movement, ended up with a more 'woman-friendly' welfare state. From the same stable, but with a resolutely

²⁸ P. Evans, D. Rueschemeyer and T. Skocpol, *Bringing the State Back In* (Cambridge, Cambridge University Press, 1985), Skocpol, *Protecting Soldiers and Mothers*, p. 41.

²⁹ Skocpol, *Protecting Soldiers and Mothers*, p. 2.

³⁰ A. S. Orloff, *The Politics of Pensions: a Comparative Analysis of Britain, Canada, and the U.S., 1900-1930* (Madison WI, University of Wisconsin Press, 1993).

³¹ L. Gordon, *Pitied but not Entitled: Single Mothers and the History of Welfare* (Cambridge MA, Harvard University Press, 1994), p. 287.

³² S. Pedersen, *Family, Dependence, and the Origins of the Welfare State* (Cambridge, Cambridge University Press, 1993).

contemporary focus, is Paul Pierson's *Dismantling the Welfare State*.³³ Comparing welfare retrenchment under Thatcher and Reagan during the 1980s, in fact Pierson's book is really about how the welfare state was *not* dismantled despite the very best intentions of its detractors. The essence of Pierson's explanation is that the *politics* of welfare retrenchment (particularly where reform generalizes/conceals 'winners' and particularizes/identifies 'losers') is extremely hard to prosecute. In most instances, institutions and the logic of political choice-making overwhelm ideology.

3. Globalization

Welfare state studies have come a long way in the past decade. From a few highly generalized models of the origins and development of a generic 'welfare state', we now have a wealth of detailed historical and comparative surveys of particular social policy regimes. There is then some irony in the fact that, just as these tools for comparative and historical analysis of welfare states are becoming so much more sophisticated, we are faced with a process, 'globalization', which at least some of its advocates suggest is driving all social policy regimes in the same direction (often, in a precipitate 'race to the bottom'). At its simplest, the argument is that processes of globalization (above all, the integration of financial with labour markets) are stripping national governments (and their regional surrogates) of discretion over domestic economic policy. Sometimes the problems of traditional Western welfare states are explained in terms of changes in the 'real' global economy. The transfer of jobs into cheaper labour markets (above all, in the Far East) generates long-term unemployment in Western economies and thus brings an irresistible pressure to bear on their prevailing welfare arrangements. In recent times, still greater attention has been focussed upon financial aspects of globalization. In the contest for footloose international capital, governments are seen increasingly to be obliged to deliver the most attractive conditions for international investors. This requires a lean (and inexpensive) welfare state plus a disciplined, skilled and cheap workforce. Newly-industrialized countries, with much more rudimentary welfare states and much lower wages, are seen to be at a considerable advantage in this competition for job-creating investment. If more developed states with more extensive welfare states are not able to compete by offering technically more proficient workers, they face the prospect of declining social protection and/or the creation of a permanent 'underclass' of unskilled unemployables.

Few serious commentators on social policy accept the globalization story in its simplest form. Not all capital is, after all, perfectly mobile and investors are searching for something more than the lowest possible wages. At the same time, there remains a persistent diversity in states' tax and spending profiles which defy any straightforward account of convergence at the bottom. Nonetheless, there is a good deal of support for the view that states have been obliged to recast their social policies under the imperatives of global economic forces. Cerny is characteristic in arguing that we have witnessed a general move from 'the welfare state to the competition state' with 'a shift in the focal point of party and governmental politics from the general maximization of welfare within a

³³ P. Pierson, *Dismantling the Welfare State* (Cambridge, Cambridge University Press, 1994)

nation ... to the promotion of enterprise, innovation and profitability in both private and public sectors'.³⁴

One of the most influential expressions of this tendency, comprehended under the logic of a more general move from Fordism to Post-Fordism, is Bob Jessop's account of a transition from the Keynesian Welfare State characteristic of the post-war period towards a new and *Schumpeterian Workfare State*. Under this new formation, the state's social policy interventions are directed towards the twin goals of sponsoring innovation and technological know-how amongst its 'own' players in an open international market economy (the element loosely identified with Schumpeter) whilst sublimating social protection ever more explicitly to the needs of 'competitiveness' and a transformed labour market (workfare in intent if not always in practice). In Jessop's words, 'it marks a clear break with the KWS [Keynesian Welfare State] as domestic full employment is de-prioritised in favour of international competitiveness and redistributive welfare rights take second place to a productivist re-ordering of social policy'.³⁵

The attempt to inaugurate a Post-Fordist regime does not mean a straightforward 'withdrawal' of the state in the manner beloved of neo-liberals. The state certainly withdraws or at least reduces various forms of social protection. In employment-related areas, the intention is generally to make labour markets more 'flexible', whilst elsewhere the motivation is more straightforwardly to hold down costs. At the same time, the state may actually increase its interventions in the welfare sphere to *impose* a 'competitiveness' agenda. In the UK, for example, this may be seen in the reform of post-school training or the move from Unemployment Benefit to Job Seekers' Allowance.³⁶

These sorts of claims about the impact of globalization on welfare states have not gone unchallenged and the recent literature manifests varying degrees of scepticism towards unqualified claims about the 'world-historical' significance of globalization.³⁷ Typically, sceptics have doubted that there is much that is really 'new' about the 'new global economy', insisting that nation states have always faced powerful trans-national forces and that, in spite of these, they retain significant governing capacities and policy discretion. In one of the most sceptical of responses, Hirst and Thompson argue that it is not a change in the balance of global forces but rather the 'myth' of globalization itself that has led political elites to conclude (quite wrongly) that 'almost nothing can be done'. The consequence has been a 'pathology of over-diminished expectations'.³⁸

³⁴ P. Cerny, *The Changing Architecture of Politics* (London, Sage, 1990), p. 179, see also P. Cerny, 'Globalization and the changing logic of collective action', *International Organization*, 49, 4 (1995), 55–625.

³⁵ Bob Jessop, 'The Schumpeterian Workfare State', in R. Burrows and B. Loader (eds), *Towards a Post-Fordist Welfare State* (London, Routledge, 1994), p. 24. The Schumpeterian Workfare State is certainly an interesting ideal type but, in its self-conscious contrast with the Keynesian Welfare State, it is even more narrowly focussed upon the formal economy and access to formal labour markets. It is perhaps more an account of changing labour market regimes than of changing welfare states.

³⁶ Martin Jones, 'Full steam ahead to a workfare state?', *Policy and Politics*, 24, 2 (1996), 137–57.

³⁷ From very different political perspectives, see L. Panitch, 'Globalisation and the state', in R. Miliband and L. Panitch (eds), *Socialist Register*, 30 (1994), P. Hirst and G. Thompson, *Globalisation in Question: The International Economy and the Possibilities of Governance* (Cambridge, Polity, 1996); F. Castles, 'On the credulity of capital', *Australian Quarterly*, 68, 2 (1996), 65–74.

³⁸ Hirst and Thompson, *Globalisation in Question*, p. 6.

Unremarkably, the *real* impact of globalization upon welfare states lies somewhere between the starkly contrasting views of the 'hyper-globalizers' and their most sceptical critics. It seems clear that global economic forces now exercise a greater constraint upon the discretion of national political actors. But this constraint is now (as it always was) much more significant for some national actors than for others. There is, for example, considerable scepticism amongst North American commentators that globalization has much to do with explaining recent changes in US welfare policy.³⁹ At the same time, there is some evidence of international convergence (in the level of interest rates, for example) but not of an emergent uniformity (since any number of 'other factors' are always in play). In any case, welfare states start on the road to reform from very different positions (since the 'Keynesian welfare states' were themselves quite variable) and, as Paul Pierson's *Dismantling the Welfare State?* amply illustrates, developed welfare states have an extensive political constituency whose interests are not simply (or evenly) overridden in the interests of decrementalism. Some welfare states were always much more market-reinforcing than others and the issue raised by globalization is not really the 'withering away of the welfare state' but rather the further erosion of the social democratic model of welfare in favour of social policies which are more explicitly sublimated to the changing 'needs of the economy'. Given this, it is important to register that global financial markets and the 'new' international division of labour do not simply 'dictate' policy to reluctant governments. Rather, they make policy choices harder and their consequences more uncertain.

4. The 'European Welfare State'

Two points have been especially prominent in the sceptical response to globalization. These are first, that the diminution of nation-states powers is best understood not as globalization but as *regionalization* of economic activity and secondly, that the alternative to national governments is not anarchy or untrammelled markets but new forms of *international governance*. In both these contexts, growing attention has been given to the European Union as the possible site of an emergent social policy regime. Interest in EU social policy is largely a case of academic 'spillover'. The principal focus of EU studies has probably been upon the economics of single market making and the constitutional issues raised by 'an ever closer union'. Social policy has been discussed largely as an adjunct of these processes. There is also some ambiguity in talking about *European Welfare Policy*. George and Taylor-Gooby's edited collection under this title is largely concerned with the comparative record and prospects of welfare states in individual European nations and much of the literature is actually a contribution to the comparative study of national welfare states.⁴⁰

There are nonetheless a number of texts which do seek to elucidate social policy at the EU level. As Hantrais establishes, however, the 'social dimension' of the European Union, though much cited, is a peculiarly evasive concept.⁴¹

³⁹ A. Martin, *What Does Globalization Have to Do With the Erosion of Welfare States? Sorting Out the Issues* (Bremen, Centre for Social Policy Research, 1997)

⁴⁰ V. George and P. Taylor-Gooby (eds), *European Welfare Policy: Squaring the Circle* (London, Macmillan, 1996).

⁴¹ L. Hantrais, *Social Policy in the European Union* (London, Macmillan, 1995).

The attempt to standardize social provision across the Community has long since given way to the very EU-speak concept of 'harmonization'. Although a 'social dimension' can be traced all the way back to the Treaty of Rome and has a declamatory history running through the 1961 Social Charter and the Social Action Programme to the 1989 Community Charter and the 'Social Chapter' of the Maastricht Treaty, there is a well-grounded suspicion that its most substantive stipulations are those that relate to market-making (especially the free movement of labour and its attendant welfare provisions). Where rights are identified, as in the *Community Charter of the Fundamental Social Rights of Workers*, they are granted to workers not citizens, reflecting their orientation around labour market participation, and implementation is 'the responsibility of Member States, in accordance with national practices'.⁴² There has been no shortage of prospectors for something we could call the 'European Welfare State' but a near-universal agreement that, in anything like its classical nation-state guise, it simply does not exist.⁴³

For some, this discovery (or rather the lack of it) demonstrates that social policy remains quintessentially within the domain of domestic nation-state activity.⁴⁴ In their edited collection *European Social Policy: Between Fragmentation and Integration*, however, Stephan Leibfried and Paul Pierson make the case for a much more significant role for the European Union in shaping the welfare regimes within its constituent states. They argue that positive attempts by the European Commission to construct a substantial 'social dimension' at Union level have had a very limited impact: 'substantive policy enactments have ... been rare'.⁴⁵ If, however, we focus not upon positive enactments but upon the extent to which EU institutions have constrained the social policy autonomy of constituent states or the ways in which enactments in other policy fields have had a social policy effect, the role of the European Union will look much more extensive. Thus, 'the last three decades, and especially the most recent one, have witnessed a gradual, incremental expansion of EU-produced regulations and, especially, court decisions that have seriously eroded the sovereignty of national welfare states'.⁴⁶ European Court of Justice determinations have had a significant policy-making impact in areas such as working hours, equal pay, pension rights and parental leave. Moves to ensure the integrity of a comprehensive single market have involved subjecting national state's social security provision and employment law to community-wide regulation, giving rights to non-citizens and to citizens living beyond the boundaries of their native nation-state. Numerous measures have been taken to limit the opportunities for 'social dumping', 'regime hopping' and various forms of 'regulatory arbitrage'. At the same time, the Community has always pursued social policies under some other name and, in this context, the role of the Structural and Social Funds is dwarfed

⁴² European Community (EC), *Community Charter of the Fundamental Social Rights of Workers* (Luxemburg, EC, 1989).

⁴³ See S. Leibfried, 'Towards a European welfare state?', in C. Jones, *New Perspectives on the Welfare State in Europe*, pp. 133–56, S. Leibfried and P. Pierson, *European Social Policy: Between Fragmentation and Integration* (Washington DC, Brookings Institute, 1995); L. Cram, *Policy-making in the EU* (London, Routledge, 1997).

⁴⁴ See W. Streeck, 'From Market Making to State Building? Reflections on the Political Economy of European Social Policy', in S. Leibfried and P. Pierson, *European Social Policy*, pp. 389–431.

⁴⁵ Leibfried and Pierson, *European Social Policy*, p. 47.

⁴⁶ Leibfried and Pierson, *European Social Policy*, p. 51.

by the salience of the Community's enduring 'big spender': the Common Agricultural Policy.

Probably the most pressing 'spillover' social policy issue of the moment arises from the project for European Monetary Union. The convergence criteria for entry to monetary union established under the Maastricht Treaty require participating governments to reduce their budget deficits to 3% of GDP by 1998/99. With constrained opportunities for increasing tax revenue, this places great pressure upon public spending, thus upon social expenditure and, within this and for continental welfare states especially, upon public pension provision. This issue dovetails with a concern over demographic change and above all the funding of pensions which has been another ubiquitous theme in welfare discussion in the 1990s.

5. Demographics and the Pension Challenge

Although politicians and commentators have become increasingly concerned in recent years with the interaction of welfare benefits and labour markets, welfare states are principally engines of redistribution from those of working age to the young and the elderly. Above all, they are institutions for the support of the older population and retirement pensions are the single largest item in almost every welfare state's budget. Under these circumstances, it is clear why the ageing of national populations should have become such a prominent political issue. Certainly, it has been much discussed by practising politicians and by those who hope to influence them.⁴⁷ Academic attention has tended to be concentrated in the specialist journals (such as *International Social Security Review* and *Ageing and Society*), although in North America, where the elderly as a constituency are well organized, there has been rather more attention to the political mobilization of the 'grey vote'.⁴⁸ The issue has attracted a great deal of attention in the 'serious' press, though this has tended to be weighty rather than well-informed.

At its simplest (and most extreme), it is argued that the ageing profile of the world's national populations means that at some point in the new century existing welfare state systems (and their patterns of income transfers) will become unsustainable. The mature welfare states were created in societies where pensions were small and the years spent in retirement comparatively few. We now have much more generous pension provision (and much more extensive public health care, another good which is disproportionately consumed by the elderly) and periods in retirement which may stretch into decades. The view is that, as the aged dependency ratio rises into the next century, the tax demand upon a smaller working age population will become so excessive that the implicit 'inter-generational' pact upon which welfare state funding depends will collapse.

A version of this story has been pressed by a number of major international economic organizations, including the OECD and perhaps, above all, the World Bank, whose 1994 report *Averting the Old Age Crisis* has been extraordinarily

⁴⁷ See, for example, F. Field, *Stakeholder Welfare* (London, IEA, 1996); F. Field, *How to Pay for the Future: Building a Stakeholders' Welfare* (London, Institute of Community Studies, 1996); Commission on Social Justice, *Social Justice*.

⁴⁸ See F. C. Pampel and J. B. Williamson, *Age, Class, Politics, and the Welfare State* (Cambridge, Cambridge University Press, 1992).

influential. This account begins from the premise that existing social security 'programs are beset by escalating costs that require high tax rates and deter private sector growth - while failing to protect the old'. These programmes are said to have 'spun out of control'.⁴⁹ Global ageing, especially in less developed countries, means that the situation can only get worse unless new welfare regimes are developed. The World Bank's solution favours a 'multi-pillar' approach with the state confined to providing a minimum (probably means-tested) pension to alleviate poverty. Pension provision above this minimum should be wholly secured within the private sector and divided between compulsory savings mandated (but not controlled) by government and a third and entirely voluntary pillar for those who wish to raise their retirement income still further. The major transfer of activity and investment into the private sector should, in line with the World Bank's other major ambition, promote economic growth thus ensuring a bigger pie out of which future pensions will have to be paid. The World Bank's favoured model is not, then, one of the sclerotic European welfare states but the lean and largely privatized Chileans.

These claims about an 'old age crisis' have met with some academic scepticism. Long-term projections about population change may be reliable but similar anticipations about dependency ratios and their financial consequences are acutely sensitive to quite minor (but cumulatively substantial) changes in workforce participation rates, levels of unemployment, levels of economic growth and changes in retirement ages. As John Hills' excellent survey points out, if pensioners benefits in the UK were to be updated in line with the increase in earnings over the next fifty years (a strategy which both major UK parties have abandoned as too generous) it would add roughly 5% to GDP, the same increase as was experienced in the welfare budget in three years of recession in the early 1990s.⁵⁰ There are also a number of problems identified in following the World Bank's strategy of relying very heavily upon the private sector. These include the problems of regulation, sufficiency of income maintenance for the low paid and the peculiar character of pensions as a consumer purchase. Even in a heavily-regulated environment, ten years of personal pension promotion in the UK has been replete with (ongoing) scandal.⁵¹ There is a danger that the move towards a means-tested minimum state pension with most of the work of income maintenance done by private pension entitlement is likely to reproduce in retirement the growing disparity of incomes which has been a feature of economic development over the past twenty years.⁵²

One of the most interesting responses to the challenge of ensuring the sufficiency of pensioner income under the stress of demographic change and a globalizing economy, whilst maintaining some concern for equity, has been the evolution of superannuation policy under the Australian Labor Party (down to its electoral defeat in 1996). Australia already has a distinctive welfare state regime including a heavy emphasis upon tax-funding of benefits plus widespread means testing. The promise of the ALP was that through a combination of mandated private savings (funded out of wage increases foregone),

⁴⁹ World Bank, *Averting the Old Age Crisis*, p. 1

⁵⁰ J. Hills, *The Future of Welfare* (London: LSE Rowntree Trust, 1994), p. 14

⁵¹ B. Wayne, 'A crisis waiting to happen', *Journal of Social Policy and Administration*, 29 (1995)

⁵² For a critique of the World Bank approach, see R. Beattie and W. McGillivray, 'A risky strategy: reflections on the World Bank Report *Averting the Old Age Crisis*', *International Social Security Review*, 48, 3-4 (1995), 5-22

government subsidies for the lower paid and a continuing commitment to improve the means-tested basic pension, greater sufficiency of retirement income (plus a heightened level of economic activity) could be reconciled with some restraint of income inequality.⁵³ With the return of a Liberal coalition government, the eventual target of 15% of wages going into superannuation funds was put in some doubt but mandatory superannuation is (for now) a bipartisan policy.

Of course, demographic change involves a great deal more than the ageing of the population. Similarly consequential are changing patterns of family formation and labour force participation: (married) women's greater involvement in paid work, later childbearing, the increasing number of single person households, the rising incidence of divorce and of second (and subsequent) families, the growth of cohabitation and of non-standard forms of marriage.⁵⁴ In the literature, enormous attention has been focussed upon (the increase in) single-parent families (rising in the UK from 6% of all families with dependent children in 1971 to 21% in 1992). Within this group, disproportionate attention has been directed towards the number of never-married mothers. As Barry's review of conservative thought on the welfare state clearly demonstrates, this has been a leading theme of US critics of welfare provision, in this instance led by Charles Murray who blames the welfare state for (amongst other vices) unmarried motherhood, high (male) youth unemployment and the emergence of an urban 'underclass'.⁵⁵ Some of this highly moralistic discourse is now finding its way into discussions within Britain and its New Labour party, most explicitly in the recent writing of Frank Field.⁵⁶ Once again, this discourse is academically challenged (see, for example, the responses to Frank Field in his 1996 collection for the IEA) but politically influential (as in Blair's appointment of Field after the 1997 General Election as the Minister with responsibility for welfare state reform).

6. 'Lean, Efficient, Effective ...': the Politics of Cost Containment

However far-sighted and forward-thinking they aspire to be, practising politicians always have the control of costs close to the top of their immediate agenda. Cost containment is not a new issue. In the NHS, for example, funding 'crises' can be retraced almost to the inception of the service.⁵⁷ In recent years, however, and for reasons already outlined, pressure has increased both in terms of revenue-raising and expenditure. Under these circumstances, growing attention has been focussed upon attempts to restructure welfare institutions to deliver greater efficiency, that is, in essence, to deliver more welfare output

⁵³ See P. Baldwin, *Beyond the Safety Net: the Future of Social Security* (Canberra, Department of Social Security, 1995); P. Whiteford, 'Income distribution and social policy under a reformist government', *Policy and Politics*, 22, 4 (1994), 239–55; F. Castles and C. Pierson, 'A new convergence? Recent policy developments in the UK, Australia and New Zealand', *Policy and Politics*, 24, 3 (1996), 233–45; C. Pierson, 'Globalisation and the changing governance of welfare states: superannuation reform in Australia', *Global Society*, 12, 1 (1998).

⁵⁴ See L. Fox Harding, *Family, State and Social Policy* (London, Macmillan, 1996).

⁵⁵ N. Barry, 'Conservative thought and the welfare state'; C. Murray, *Losing Ground: American Social Policy 1950–1980* (New York, Basic, 1984).

⁵⁶ F. Field, *Stakeholder Welfare* (London, IEA, 1996); F. Field, *How to Pay for the Future: Building a Stakeholders' Welfare* (London, Institute of Community Studies, 1996).

⁵⁷ R. Klein, *The New Politics of the NHS*, 3rd ed (London, Longmans, 1995).

with a static or marginally improving budget. This was not the only ambition behind moves towards new forms of management in the public sector (the reforms were clearly also designed to weaken organized labour and to shift blame for welfare shortcomings away from elected politicians) but the need to increase output without a major increase in resources was a major spur to change.

A great deal has been written about the reform process over the past ten years, much of it coming from government or near-government sources. In the academic literature, some have concentrated upon establishing what the 'new public management' really is and tracing its political and intellectual origins.⁵⁸ Others have addressed very broad questions about the character of the contract state, the new managerialism or the nature of quasi-markets.⁵⁹ A number of researchers have focussed upon a specific policy area, such as health (Klein, Ham), education (Pierson) or community services (Lewis *et al.*), seeking to assess the impact that the reform process has had within a particular domain.⁶⁰ A few commentators have traced the evolution of particular new agencies (with the Child Support Agency constituting a particularly lurid example).⁶¹

The earliest contributions in this area were concerned above all with clarifying terms, identifying reform processes and telling the story of the 'heroic' phase of institutional reform. We now have the beginnings of an evaluative literature (although the judgements arrived at are still highly provisional). Certainly, the UK Citizen's Charter, hailed at its launch as 'the most far-reaching programme ever devised to improve quality in public services' has largely disappeared from view.⁶² The most even-handed assessments (such as that offered of the NHS reforms by the meticulously fair-minded Rudolf Klein) are extremely ambivalent about the successes of the new regime. Others have been more critical, insisting that the new health service is top heavy with management and New Labour came into office in 1997 committed to reversing the key provisions for GP fundholding.⁶³ In education, Grant-Maintained status and the publication of performance league tables are set to stay, but LEAs were never marginalized in quite the way that the instigator of the Great Reform Act of 1888 anticipated.⁶⁴ Perhaps the most significant innovation here is the

⁵⁸ See, for example, C. Hood, 'A public management for all seasons?', *Public Administration*, 69 (1991), 3–19; Stewart and Walsh, 'Change in the management of public services', *Public Administration*, 70 (1992), 499–518; A. Denham, *Think-Tanks of the New Right* (Aldershot, Dartmouth, 1996).

⁵⁹ J. Clarke and J. Newman, *The Managerial State* (London, Sage, 1997); S. Zifcak, *New Managerialism* (Milton Keynes, Open University Press, 1994); J. Le Grand and W. Bartlett, *Quasi-Markets and Social Policy* (London, Macmillan, 1993).

⁶⁰ R. Klein, *The New Politics of the NHS*, 3rd ed. (London, Longmans, 1995); C. Ham (ed.), *Health Care Reform* (Milton Keynes, Open University Press, 1997); C. Pierson, 'The new governance of education, the conservatives and education 1988–98', *Oxford Review of Education. Special Issue* (1998); J. Lewis, P. Bernstock, V. Bovell and F. Wookey, 'The purchaser provider split in social care. Is it working?', *Social Policy and Administration*, 30, 1 (1996), 1–19.

⁶¹ See A. Garnham and E. Knights, *Putting the Treasury First, the Truth about Child Support* (London, CPAG, 1994).

⁶² Conservative Party, *The Best Future for Britain The Conservative Manifesto 1992* (London, Conservative Central Office, 1992); M. Connolly, P. McKeown and G. Milligan-Byrne, 'Making the public sector more user friendly? A critical examination of the citizen's charter', *Parliamentary Affairs*, 47, 1 (1994).

⁶³ *Labour Party Manifesto* (Labour Party, London, 1997).

⁶⁴ K. Baker, *The Turbulent Years* (London, Faber and Faber, 1993).

extension of the (internationally observable) new welfare principle that 'the user pays', seen most graphically in the experience of Australia and New Zealand.⁶⁵

A second response to the increasing pressure on welfare resources is a revival of the time-served debate between universalism and selection. There has always been an argument, predominantly though not exclusively on the political right, that most people's welfare should be secured through the market or the family (or the Church) and that state resources should be targeted at those 'in need'. This argument has often had a moral or political aspect (that dependency should be a source of shame, that the size of the state should be minimized) but it may take a morally more 'neutral' form: if resources are limited, they should be focussed upon those who need them most. There is a standard set of 'universalist' objections to the 'targeting' of welfare. Targeting requires an intrusive and stigmatizing means test which creates a problem of low take-up (meaning that some in real need do not get the benefits to which they are entitled). It sets up an opposition between (tax-paying) contributors and recipients placing downward pressure on benefits for the poor, gradually eroding the levels of electoral support for existing programmes. The relief of poverty is not the sole purpose of welfare provision and targeting undermines any sense of shared welfare citizenship. Finally, selective benefits are expensive to administer and create the problem of a poverty trap with confiscatory effective marginal tax rates.

No national welfare system was ever 'purely' universalist, but certainly the aspiration to universalism was in the ascendant through much of the post-war period. In the 1980s, universalism came under duress both from the 'moral' assault of the New Right but also from a series of 'technical' arguments about the efficiency of government's welfare efforts. The 'Fowler Reviews' of the Second Thatcher Administration (1986) are a neat amalgam of both approaches. The process of incremental budget-paring in which most governments have been involved over the past ten to fifteen years has *de facto* increased the salience of means testing. The case for targeting is still heard primarily from the right (with the expectation that curbing welfare costs can generate cuts in personal taxation), often in association with the claim that existing welfare regimes are too generous. But in recent years there has been a significant attempt to revive selectivism as a principle on the centre-left. The twin motivations have been a recognition that the scope for raising additional resources is extremely limited and the evidence that (whatever their traditional vices) targeted welfare regimes do more redistributive work (and may thus be seen as a potential weapon in the larger left strategy of sponsoring greater resource equality).

The 'centre-left case' for targeting is perhaps best seen in a recent commentary on Australia's welfare state and its reform under the Hawke-Keating Administrations (1983-96). In Australia, income sufficiency has traditionally been secured through judicially-set minimum wages and the maintenance of fairly full employment plus unemployment benefits which were non-contributory and not time-limited.⁶⁶ It has long been argued that Australia's means testing was not perceived as stigmatizing or discriminatory, in part because it

⁶⁵ M. Pusey, *Economic Rationalism in Canberra. a Nation Building State Changes its Mind* (Cambridge, Cambridge University Press, 1991); J. Kelsey, *The New Zealand Experiment* (Auckland, Auckland University Press).

⁶⁶ F. Castles, *The Working Class and Welfare* (Sydney, Allen and Unwin, 1985); F. Castles and C. Pierson, 'A new convergence?', pp. 233-45.

was a system designed to exclude the rich rather than target the poor.⁶⁷ At the same time, it has been argued that the Australian welfare state achieves greater levels of redistribution than other and 'larger' welfare systems.⁶⁸

Since virtually all welfare states face the twin challenges of increasing demands and limited resources, it is perhaps unsurprising that the Australian experience has been recommended by its advocates as a model which could be emulated elsewhere.⁶⁹ It has certainly attracted considerable interest in the UK though it has its critics even in the country of its origin.⁷⁰ As part of an agenda of 'doing more with less', the possibilities for 'targeting without stigma' are likely to receive increasing attention in the future.

Conclusion

It seems quite unlikely that welfare issues will move down the political agenda in the coming decade. Questions of the (public and/or private) provision of health care, education and income maintenance will continue to press upon governments of any persuasion. The impact on social policy of transnational institutions (whether political or economic) is set to increase. The ubiquitous talk of 'crisis' will undoubtedly continue but beneath this we can trace a gradual change in substantive policy orientations towards the welfare state. Characteristically, discussion in the 1970s focussed upon an immediate fiscal crisis of welfare provision. In the 1980s, this mellowed into an account of how the crisis was managed or contained. Whilst these themes continue in the 1990s, supplemented by renewed worries about 'new' demographic threats, increasing attention has been directed to the processes of '*structural adjustment*' through which social policy regimes may be made more consistent with what are widely described as 'irresistible' changes in the global economy. In the face of this new orthodoxy, and the policies it inspires, there is (with honourable exceptions such as van Parijs' *Real Freedom for All*) a notable absence of *normative* accounts of the sorts of social policies that are *justified* under changing circumstances. Above all what we lack, and desperately need, is an account of what *can* and *should* replace the traditional social democratic state.

⁶⁷ R. F. Henderson, A. Harcourt and R. J. A. Harper, *People in Poverty: a Melbourne Survey* (Melbourne, Cheshire, 1970), F. Castles, 'The wage earners' welfare state revisited: refurbishing the established model of Australian social protection, 1983-93', *Australian Journal of Social Issues*, 29, 2 (1994), 120-45.

⁶⁸ D. Mitchell, A. Harding and F. Gruen, *Targeting Welfare: A Survey* (Canberra, Centre for Economic Policy Research, Australian National University, 1994).

⁶⁹ F. Castles, 'The wage earners' welfare state revisited', P. Whiteford, 'Income distribution and social policy under a reformist government'.

⁷⁰ Commission for Social Justice, *Social Justice*, P. Beilharz, M. Considine and R. Watts, *Arguing about the Welfare State: the Australian Experience* (Sydney, Allen and Unwin, 1992).