Participation and Solidarity in a Changing Welfare State

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This chapter considers participation and solidarity in the development of the European welfare state. Participation requires that the less powerful groups succeed in making their voices heard. Such groups often have few resources other than their numbers, so that concerted action within a democratic framework is essential. The various welfare states that emerged during the past century rested in different ways on traditions of national male breadwinner working class solidarity, often in class-coalition with middle class groups and supported by an active trade union movement. Welfare policies in the post-war heyday of corporate capitalism reinforced this solidarity. More recently the post-war settlement has been eroded by globalisation, the shift from manufacturing to a service economy, the decline of the nation state, insistent pressures from women's groups and others for greater equality and the emergence of new social risks. The new welfare state settlement is market liberal rather than neo-Keynesian. These shifts disempower the groups that were able to influence the traditional welfare state but empowers new groups affected by new social risks and by globalisation. The key question for a politics of participation is whether these groups can form solidarities that enable them to exert real influence.

The emergence of the current settlement

The Great Recession of 2007-8 and subsequent stagnation had a major effect on European welfare states: in the short term social spending increased, and then in most cases trended back toward previous levels, most swiftly in the case of Germany among the larger economies (Figure 1).

Most commentators point out that the main regime differences between European welfare states persist (for example Hemerijck 2014). However, the commitment across Europe to austerity and balanced budgets (summed up in the 2013 Treaty on Stability, Coordination and Governance which provides for legal enforcement in the Eurozone of a 0.5 per cent cap on deficits, with similar legislation in the UK) suggests a new approach to welfare spending. This perception is reinforced by the stringent conditions attached to joint European Central Bank, International Monetary Fund and European Union loan packages, including profound cuts in public spending and restructuring of the public sector, privatisation and tax reforms, most evident in Greece, and affecting Ireland, Italy, Spain and Portugal (Hay and Winncott 2012; Armingeon 2012; van Kersbergen et al 2014; Starke, Kaasch and van Hooren 2013).

The shift in budgetary stances in the context of recognition of severe and increasing pressures on state spending from a globalised economic context, slower growth, the ascendancy of a more neo-liberal economic paradigm and population ageing points the question: does the crisis and the policy responses to it mark a watershed in the development of European welfare states?

Factors leading to stability and change in welfare state settlements

Factors which influence the development of state welfare (using a modified version of the '5i's' framework (Gough 2015) include**: industrialisation**, the process of production, the use of capital and the relationships within which productive labour was carried out, the **international** economic context and the response of national governments to the requirements of competitive trade, **interests** most notably in the class and family system but also emerging among those who see themselves as net recipients of or as paying for social provision, **ideologies**, both at the level of the dominant political economy, the liberalism that rested on the notion of a self-regulating market in the 19th century, increasingly challenged in the 20th century (Keynes, 1936), and at the level of popular understanding and ideology concerning entitlement, the sphere of state provision and the morality of work, family, gender and the male bread-winner (Thane 1982), and the **institutional** framework, including the rise of the nation state and the expansion of its capacity to monitor and regulate the lives of its citizens (Dean 2010). All these factors shape the context in which participation and solidarities can influence the direction of the welfare state.

Recent shifts in the five factors

The modern welfare state emerged in established industrial societies with high manufacturing employment and opportunities for skilled working class jobs in which neo-Keynesian interventions could achieve consistent economic growth, contain unemployment and provide tax or social insurance financed social services (Jessop 2002). The outcome was stability, resting on industrial capitalism, the neo-Keynesian nation state and ideas and institutions which supported social provision within that structure as part of a compromise of class interests.

In relation to international **context**, the development of a more globalised international system, in commodity trade, in finance and in attempts at cross-national regulation (OECD 2013) continues to influence state welfare. New technology reduces the cost of trade (Held 2000) and makes possible the global integration of knowledge and communication-based industries, from banking to call-centres. At the same time, technological changes associated with the use of micro-processors together with new techniques of management are restructuring employment and further individualising labour market experiences (Archiburgi and Mitchie 1997)

In relation to class **interests** the industrial basis of solidarity is weakened. For some groups in the labour force, employment is low skilled and less well-paid or less secure; for others secure, well-paid but more individualised employment predominates, leading to a growing structural division between the two groups often referred to as dualisation (Rueda, 2005; Emmenegger et al, 2012). At the same time, the structure of capital becomes more complex with large and small capitals competing in a less structured way, reducing the capacity for corporatist bargaining. Finance and business capital which is more mobile than manufacturing sector capital expands and gains in influence with government.

The demands for greater competitiveness have coincided with a breakdown of the male bread-winner structure and more vigorous demands for greater equality in education, training, employment and opportunities from women and disabled people. This has led to equal opportunities and anti-discrimination legislation at national and European levels and a gradual improvement in the formal rights of women and disabled people. Women are still over-represented among the poorest groups, under-represented in the highest skilled and best-paid employment and still undertake the largest share of care tasks, spending about two and a half times as long on care and over twice as long on housework as men in OECD countries (OECD 2014 Figure 2). Disabled people are about half as likely again as the rest of the population to experience poverty and fare badly in employment (Eurostat 2015 Figure 4). Developed countries are increasingly cutting back on benefits for disabled people and seeking to mobilise them into paid work.

The increased commitment of most governments to neo-liberal free trade strategies coupled with austerity programmes which seem to benefit a distant multi-national elite, but do little for the mass of the population has led to fightback from left and right. New popular-led left parties are challenging governments across Europe (Podemos in Spain, Syriza in Greece); new Eurosceptic movements are also emerging on the right. Anti-immigrant chauvinism is a powerful force, particularly among lower skilled groups who lose out from the process of globalisation and blame immigrants for taking jobs and opportunities (Kriesi et al 2012).

The outcome has been enhanced capital flows, the growth of footloose multi-national capitals, a further weakening of labour movements and the development of the women's, disabled-people's and anti-immigrant populist movements in developed economies. This has fed through into the third factor, changes in **institutional** frameworks. As trade union membership declined, legislation shifted against labour movement interests, for example in the right to strike, especially in the weaker economies of Southern Europe but also in the Netherlands, Hungary and the UK (Cuppage 2013). Employment protection has also grown weaker. Anti-discrimination and equal opportunity legislation has however been strengthened. Conversely, capital has grown stronger as opportunities for exit multiply, strengthening bargaining power and enabling more effective lobbying of national governments and international agencies and the emergence of winner-takes-all' politics (Hacker and Pierson 2010). Figure 2 uses OECD data to show how incomes more broadly across society diverged between 1990 and 2010 particularly in the US, Germany and France.

The shifts in the pattern of social interests and institutional structure are not confined to the level of class conflict and the weakening of working class pressure for state welfare that meets the interests of male industrial workers. On the one hand, higher employment among married women, population ageing and the greater pressure on employment and the tightening link between skill level and life chances, in a context of increasing budgetary pressure lead to the emergence of new social risks (Taylor-Gooby 2001; Bonoli 2005). Access to child care and parental support, especially for women, social care to help with disabled people and frail elderly relatives, education and training opportunities and access to sustainable employment especially for young people and increasingly access to provision for those of working age (social housing, support for low paid workers, unemployment benefits) especially as state provision becomes more tightly targeted are recognised as risks that people face during their life course. On the other hand, the interests supporting the traditional life-stage risks of pensions and health care, at the heart of the welfare state, remain strong as these needs retain their importance.

New social risks do not reduce the importance of these risks but cut across them. They focus attention on earlier life stages than does the traditional welfare state. Attitude survey data indicates that the traditional areas of state provision receive the highest support from the mass public as areas of state responsibility but that childcare is also endorsed, at a lower level, especially in Southern and central and eastern EU countries, while provision for unemployed people receives less support. The new social risks contribute a further dimension to welfare state politics and generate opportunities for political parties to link the interests of social groups across generations in a 'new politics' of welfare (Bonoli and Natali 2012).

These changes are also reflected in shifts at the level of ideas. The dominant **paradigm** in political economy has moved from neo-Keynesianism through monetarism, in which the state pays less attention to interventions to maintain demand and confines itself to removing constraints on the supply of capital, labour and materials by freeing up the market towards a more neo-liberal stance which valorises market freedoms, promoting privatisation and holding tax down.

Popular **ideologies** have also shifted. Support for the main welfare state services for those outside the labour market (pensions and health care, mainly used by older people) remains strong. The decline in class solidarity undermines support for provision for the low-waged and unemployed and there is more emphasis on desert justified by labour market contribution, as against need in the discourse about entitlement (Mau 2004; Baumberg et al 2012; van Oorschott 2000). At the same new movements resting on nationhood and resisting the pressures of globalisation have emerged as the UK referendum debate shows (Hobolt 2016).

Welfare State Outcomes

Shifts in welfare state policy do not undermine welfare state spending but imply substantial changes particularly in provision for those of working age and in entitlement and structuring of welfare. State spending on social provision continued to rise through the period, although the rate of increase has declined, and much of the rise since the 1980s has been in the Mediterranean and some Central and Eastern European states, catching up with levels of provision elsewhere in Europe. Despite some concerns (Strange 1996) more intense international competition does not seem to lead directly to welfare state cutbacks, following the logic of a race to the bottom (Swank, 2010, 328). Scharpf and Schmidt (2000) show that the impact of globalisation has been to confirm rather than erode the differences between welfare state regimes across Europe, a finding supported also in a detailed analysis by Hemerijk (2012). Recent changes do not seem to have generated competitive tax cutting (Genschel and Schwarz 2011). The main changes in patterns of provision lie in three areas: austerity, activation and accountability – or responsibility.

The first includes radical and far-reaching pension reform (Hinrichs 2000), privatisation and the introduction of quasi-market systems and a whole host of detailed cuts, cost savings and efficiency measures (for example Baird et al, 2010; Jurd 2011). These measures have been strengthened in many countries as part of deficit reduction policies, but the move towards spending constraint originated much earlier.

Secondly, labour market policies and related social security policies have been restructured in order to control costs and also to mobilise more people into paid work and to improve the quality of the labour force. These cut back workers' rights to flexibilise labour markets (Casey 2004) and the expansion of education at all levels. Of particular importance is the expansion of job opportunities for women (Palier 2010).

The commitment to activation is apparent in a range of developments including social security reforms to push unemployed people into jobs and support for lower-paid workers. In general, this process directs spending towards new social risks including labour market insecurity and growing need for childcare and support services for disabled and older people. Expenditure increased through the period from the early 1980s up to the late 1990s, but then, tended to slow, reaching a plateau after the recession as in the case of old welfare spending discussed earlier. Finland and Sweden experienced sharp falls in spending in response to the recession of the late 1990s and thereafter resumed a pattern similar to, but rather more generous than other European countries. The electoral strength of older age groups is indicated by the numbers involved which are reflected in the much greater spending in these areas.

Thirdly, a large number of policies directly promote ideologies of individual responsibility. These include restrictions on the right to sickness and disability benefits and to encourage paid employment among these groups, much more stringent policing of benefit rights among unemployed people, and the expansion of individual retirement pensions and similar schemes (Palier, 2010).

Neither popular nor elite ideas about policy challenge the neo-liberal logic of individual rather than collective responsibility for meeting need. Responses to the crisis across Europe endorse the austerity packages favoured by the ECB and supported by IMF and most national governments, the rolling back of short term interventions to maintain employment in most countries and the continued endorsement of optional contributory pensions. The only major country to adopt a more interventionist stance has been France since 2012. In 2015 the government led by President Hollande nevertheless imposed a sharp VAT increase, reduced taxes on business and presented a strategy (criticised by the German finance minister as too slow) to bring the deficit within Stability and Growth Pact limits by 2017 (Reuters, 2014).

Spending cuts have been finally accepted by Ireland, Spain, Italy, Portugal and, after initial resistance, Greece. Anti-austerity politics, both in radical movements (such as 99%) and in more formal parties (Podemos; Syriza; die Linke) have not achieved major changes.

Government concern with activation and responses to new social risks has promoted new welfare, but austerity policies continue to squeeze social spending. The more enthusiastically supported services for older people tend to win out over the services directed at new social risks and at younger groups. Figure 3 plots new welfare spending as a percentage of old welfare. The relative size of the new welfare budget varies between five and thirty-five per cent of old welfare, averaging about twenty per cent. There are considerable national variations, and a tendency for new welfare to grow slightly faster in the early phase but this comes to an end by 2000. The prospects for a transition to a new social risk welfare state look bleak. Conversely, despite the transition to post-industrialism and the new austerity, the core of the welfare state in health care and pensions directed mainly at older age groups shows no sign of diminishing, although there is every indication that pressures on spending have grown and will grow more severe.

A further indication of the continuing process of shifting spending away from the labour market is that policies are failing to reduce poverty for this group, but succeeding for older people. The fall in the proportion in poverty for 16-64 year olds achieved by the tax and benefit system declined from 58 to 51 per cent between 2005 and 2014; for older groups it rose from 81 to 84 per cent, according to analysis of EU-SILCF data.

Conclusion

The Great Recession did not produce a radical new departure in social policy, but provided an opportunity for existing trends towards neo-liberalism to be taken much further much more rapidly. Popular ideas are also shifting towards individual responsibility and against welfare for those of working age, but support for the traditional welfare state, mainly directed at older people and centring on health care and pensions remains strong. In short we are shifting towards a new settlement, dominated by neo-liberalism rather than neo-Keynesianism in which social policy undermines cohesive solidarities and strengthens divisions between old and young. In this context opportunities for participation to exert real political pressures that generate new and positive directions in state welfare seem limited.

Where do we go next? Globalisation divides the population into winners (the wealthy and/or highly skilled who see their opportunities widen in a more international market-place) and losers, the less skilled, less rich and/or less fortunate, who find their living standards stagnate and their lives become tougher as the increasingly compete against others in lower-income countries. The losers are fighting back but the problem is that fightback can be positive or negative. What has happened is that popular pressures against globalisation and liberal openness have strengthened across Europe both on the left and the right (Podemos, Syriza in Greece and Momentum in the UK; and the Font National in France, ADF in Germany and Ukip in the UK). The UK EU referendum outcome is arguably the result of these movements. It shows how an ostensibly participative and grass-roots movement among more vulnerable groups can have damaging consequences for the inclusiveness of the welfare state.

Three outcomes are possible: victory by the left leading more inclusive societies and social policy as social investment; victory on the right, leading to isolationism, fewer resources and a contraction of the welfare states; or the status quo – the slow development of neo-liberalism and decline of welfare states led by centrist parties, but shifted in different directions by the influence of extremist movements. The first seems unlikely in Europe at present and the second possible, with the strongest movements in Hungary, France and the UK, but the third seems to present the central direction of most European welfare states. Mass movement participation does have realm influence on national policies but it is only half-way there: the new populism recognises that the elite in global liberalism do not serve their interests, but is vulnerable to a divisiveness that undermines the goal of a welfare society. That is what those who wish to see a new participative and inclusive world must address.

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Figure 1: Public Spending as % GDP 2000-2014 (predicted)-2020 (IMF WEO Database)

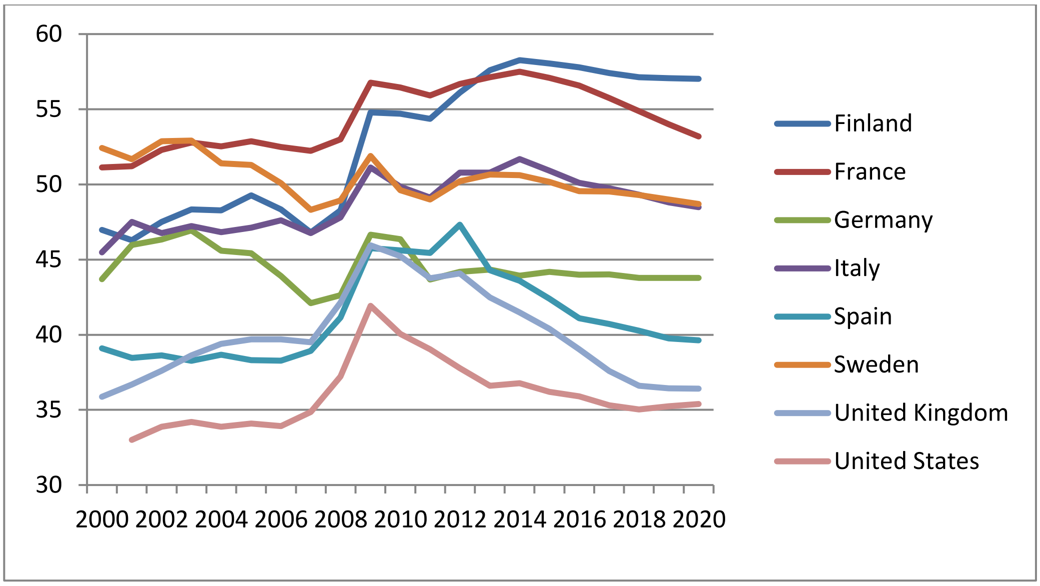

Figure 2: Spending on the Core of the Welfare: Health and Pension Spending as % GDP (OECD SocX Database)

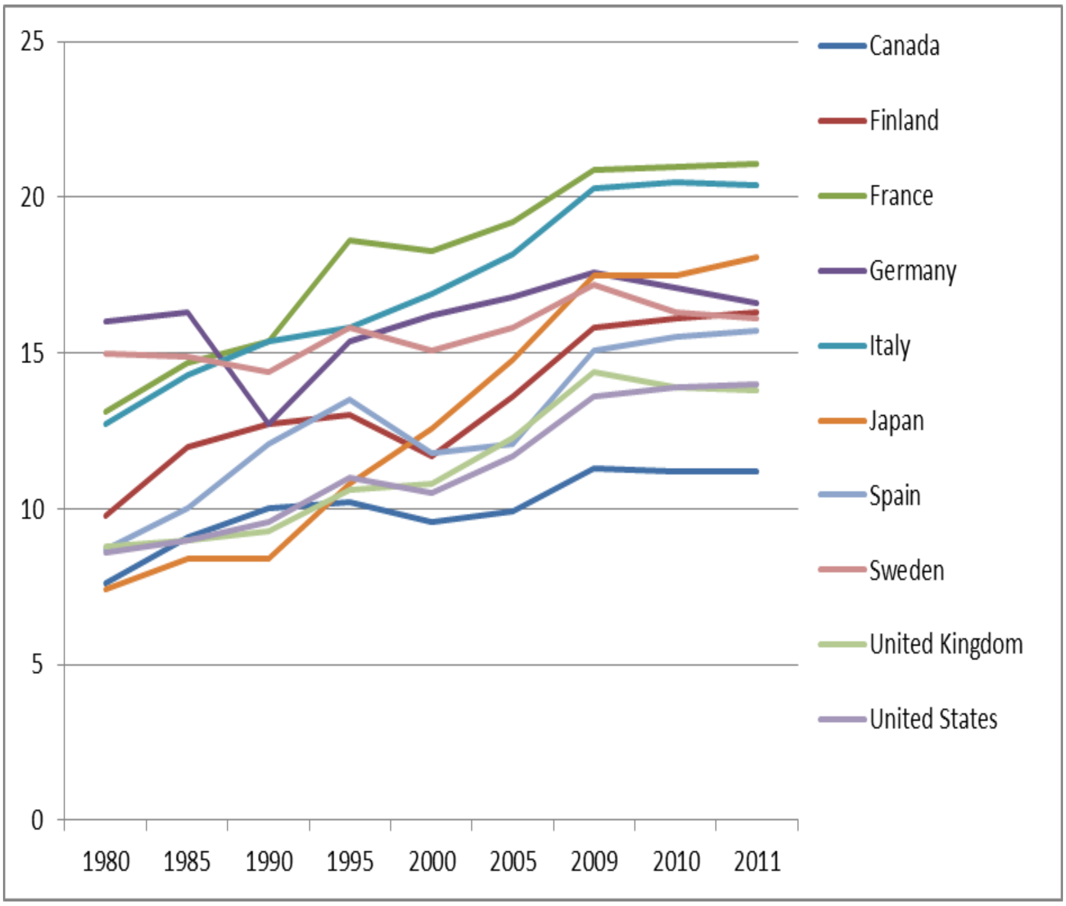

Figure 3: Spending on New Welfare as Percentage of Old