

# THE INTERDEPENDENCE BETWEEN A WELFARE STATE AND SOCIAL POLICY

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## Abstract

A welfare state covers a lot of issues such as the old age, handicapped people, disease rate, etc. The social policy discusses social benefits, social assistance, employment policy, etc. The relation between a welfare state and a social policy is the basis for creating conditions to meet human needs and the needs of a society.

**Keywords:** welfare state, social policy, human needs, social assistance

The term „welfare state“ by itself is represented by some elements that form the social policy aiming at eliminating social risks such as the old age, diseases, handicap or their negative impact on life. The social policy also aims at eliminating some negative features that are encoded in the market mechanism such as unemployment, poverty.

The terms social policy and welfare state are often understood as synonymic terms. The social policy is concerned with social services, social benefits, pension and health insurance, health care policy, employment policy, policy of families, housing policy and the education policy. This is a scheme that is expected to work under ideal conditions within all the policies, under the condition that there are no conflicts in the society or in the country. Of course within the national policies there are some unethical issues called corruption. “There are no identical approaches towards the definition what corruption is” (Bočáková, 2012). The welfare state can be a positive and a negative one. The positive welfare state is a state providing people with some social benefits and services. The negative welfare state controls the approach towards the market.

## 1 The history of social policy

The periods of industrialization and urbanization in Western Europe and in northern America in the second half of 19<sup>th</sup> century and in the beginning of the 20<sup>th</sup> century are often marked as the beginning of social policy. From this point of view the social policy is presented as a split of traditional social connections and “life security”. Due to the fact a lot of new social risks appeared and have been formed in the process of combination of urbanization, industrialization and market economy development. The social status of a person is secured in an informal way - by his/her family, local community, friendly relations and then in a formal way – by some municipal unions or groups of professionals.

If compared to the current situation and modern social policy, the social policy would have very limited expenditures and costs to cover the needs. The funds in the national budget were allocated to develop the infrastructure, to develop and maintain the national army, etc. Moderate or no growth of GDP and no increase in the population’s income has caused that vast majority of the population live just above the line of poverty.

Thomas Malthus described the development of the social policy in his *An Essay on the Principle of Population*. He said that „the population would always live on the poverty line, as in that moment its economic situation is better and the GDP per capita increases, the birth-rate goes up, the number of population increases and the GDP per capita goes down“.

According to Malthus the value of GDP per capita was expected to maintain its value although the value reached some deviations.

Malthus theory was understood in this way until the breaking point came – developed economies reported their growth till the end of 18th century. The value of economic growth was higher than the birth rate and the standard of living had been increasing for a long time.

Two irreplaceable paradigms of a new reality have had impact also on the situation in traditional families and the relations between their members. Following factors have changed:

- a) The structure of the core families is changed. Families have lost their abilities to cover the social risks.
- b) The society has become rich in funds to cover partially some of the risks.
- c) New forms of social risks have been formed as the old system of social relations and social insurance was not able to cope with these new risks.

- d) The process of urbanization has resulted in the fact that diverse social groups are able to defend their rights.

The social policy and pension systems of nowadays are based on the above mentioned factors. Countries and their governments have started to cover the risks that most frequently occur in the form of a loss of income after being aged, ill, unemployed, poor or disable. Also the course of history proves that a welfare state in the second half of the 19th century had created the system of pensions. Otto von Bismarck the German Prime Minister (the Prussian chancellor) introduced the system of pensions in 1889 when the state retirement age was 70 – the average life expectancy at that time was 45). But the key role is still played by the family and the community.

Some more national pension systems were created in the countries in the past but the people working in agriculture were not covered by the systems. In the past the sector of agriculture employed most people especially women. The employees in the industries had some restricted rights or no rights such as the right to negotiate the wages and the working hours. The children's work was still allowed and the right to establish trade unions was still missing. On the other hand there were some attempts to make the working hours and the working week shorter. It can be concluded that social policy was concentrated only on the most serious social issues till the year 1920. The national social policy is based on four basic principles – such as the principle of justice, the principle of social solidarity, subsidization, participation. The key principle is the principle of social justice.

*Table 1 The share of public expenditures and benefits such as % GDP (1920-2007)*

Country	1920	1937	1960	1980	1993	2007
Australia	...	0,7	3,3	4,5	4,5	...
Austria	2,4	2,4	9,6	11,4	12,7	13,8
Belgium	0,3	3,7	4,3	11,2	10,9	10,7
Canada	...	...	2,8	3,4	5,5	...
France	1,6	...	6	10,5	12,3	13,3
Germany	2,1	...	9,7	12,8	12,4	12,4
Ireland	...	...	2,5	5,8	5,9	5,2
Italy	2,1	...	5,5	11,7	14,5	14,6
Japan	0,3	0,8	1,3	4,5	6	...
Holland	...	...	4	12,6	13,4	12,1
New Zealand	...	2,9	4,3	7,7	10,4	9
Norway	0,1	...	3,1	6,9	9	7,8
Spain	0,9	2	...	7,7	10,4	9
Sweden	0,5	...	4,4	9,9	12,8	11,6
Switzerland	...	...	2,3	8,5	10,2	12,4
UK	2,2	1	4	5,9	7,3	8,5
USA	0,7	...	4,1	7	7,5	...
<b>Average</b>	<b>1,2</b>	<b>1,9</b>	<b>4,5</b>	<b>8,4</b>	<b>9,6</b>	<b>11</b>

Resource: Tanzi a Schuknecht (2000) a Eurostat (2012)

The principle of social justice is based on the legislation, such as laws, directives and regulations according to them the funds are allocated in the country. The social policy comprises models such as:

- redistributive – the government plays the key role, makes decision and allocates the funds (Sweden, Denmark);
- effective – based on the principle of meeting the needs in the social domain; it is based on working output and the employees performance (Germany, France, Austria);
- residual model aiming at the market, family and individuals. Neither the market nor the family can interfere, the governments fulfil their tasks and interfeerer (USA, Japan, Great Britain).

The period between the end of 80-ies and the beginning of the 90-ies in the 20<sup>th</sup> century is considered to be the most problematic one with the problematic demography - the birth-rate started to decrease and the number of people at the state pension age started to increase. The increase in the number of retirees has resulted in the costs that governments spent on the pensions. The problematic and most discussed issue of unemployment is replaced by the issue of birth-rate and the demography. Countries start to struggle with declining birth-rate and negative demographic development and the future declining potential labour work.

Countries with a strong social policy (Scandinavian countries) are able to support women in work and to change and improve the development of the demography whereas the south European countries with traditional systems supporting families have been struggling with the declining birth-rate.

Women in work are classified as a major element changing the roles of families, if compared to the situation in the past. Women in work have impact on women's and men's roles in a changing society and on ethical values, especially in tolerating the changes that have occurred in the society. The number of children born out of families has increased lately. This might mean that the roles of traditional families have been changing.

Development of welfare states has resulted in forming new social groups - layers of citizens for that the state benefits are the only income. The groups financially depend on the government subsidies, on some benefits. The different indexes of quality of life prove that these groups have slowly been isolated from the other groups of population. People depending on subsidies usually have no education, no qualification, and no work habits. Economic growth and gaining property on one hand and on the other hand a lot of poverty are two antagonistic issues resulting in a conflict tending to graduate and increase. The society faces a new term of social exclusion. The Lisbon Strategy focuses on three main areas of action: knowledge for innovation and growth; making Europe a more attractive place to invest and work, creating more and better jobs. Measures at Community level should concentrate on key actions and areas such as:

- supporting knowledge and innovation in Europe;
- reforming state aid policy;
- better regulation;
- developing the internal market for services;
- completing the Doha round of international trade negotiations;
- removing obstacles to mobility;
- developing a common approach to economic migration;
- managing the social consequences of economic restructuring.

The term of social policy is sometimes understood as a scientific discipline or a research domain or an oriented activity. Potůček (1994) defines the term "social policy" as a scientific discipline and as an activity. According to him "it is examining the process of creation a policy dealing with relations between individuals and social conditions of life."

The social policy is understood as a scientific discipline by many authors such as Abel-Smith (1992), the chair of the British social and health policy, who defines the social policy as a scientific discipline as it has its own specific features and deals with inequalities in the society. The inequalities can be represented by the different average length of life, chances for education, the resources of income/money, time, etc. According to him the social policy deals with political processes and institutions having impact on these inequalities. Krebs (2000) divides the social policy as practical policy into two types:

- social policy as a real activity and negotiations between the government and other subjects having impact on social field of community,
- policy dealing with social risks or negative impacts such as old age, job loss due to a health handicap and eliminating some social injustice such as unemployment, poverty that accompany the market economy.

Social policy is an activity of the government, institutions, and subjects aiming at prevention from social inequality and creating conditions for participating in development of individuals, groups, communities. People, citizens need to have complex social conditions – for life work, reproduction, ecology. Social policy involves a concept of taking care of people who are not able to overcome their bad social situation. Social policy forms an inseparable part of national economy, is influenced by the national culture, traditions and economy and is closely interconnected with the social position of people in the society (Krebs, 2000).

## 2 Functions of Social Policy

The functions of social policy have been developed for years and have been dependent on the social – economic situation in the country. The functions are the ability to initiate some effects towards the objects of social policy, to examine the aim of activities and tasks (Žižková, 1993). The criteria for social policy classification are different and are described by many authors. The social policy fulfils following tasks: protection, homogenization, division (allocation) and re-allocation, re-division, preventive, simulation (Žižková, 1993). From the historical point of view the oldest function of them is the protective function with its primary aspect based on human attempts of communities and its secondary aspect is the need to protect a human as labour force. A lot of experts in the field of social policy insist that the most important function of the social policy lies in allocating the funds: benefits, pensions and other chances in life. According to this function people try to sort and divide themselves into groups of communities. The pre-allocating function is based on modifying the first-plan allocations that means allocating the funds distributed by the market. The process of re-allocation aims at making the standards of living better that are more acceptable for the community. The resources allocated and re-allocated are assets tangible and intangible. According to the type of the resources- funds the principles are selected and applied (Žižková, 1993). There are two of them: 1/ normative and 2/ positive principles. The normative principle is applied when the funds are allocated from the point of view of benefits and

is based on the preference of individuals. The positive principle is applied in case a common concern is taken into account (Žižková, 1993).

The simulation function aims at promoting, motivating, initiating the desirable behaviour of individuals and social groups inside and outside an economic environment. The function focuses on having impact on estimated development of social processes, phenomena and relations. It is often denoted as a function of productivity (Žižková, 1993).

A key role is played by the preventive function that is based on extensive education, effective counselling in different fields and the development of field service (Žižková, 1993).

Subjects, entities and substantial phenomena active in the social policy are those ones who create and apply the principles of social policy, so they are individuals. The role of the social policy is to promote the positions of individuals so that they can avoid becoming targeted social policy. The nature of a welfare state lies in creating the basic features of a welfare state. At the same time it makes individuals discuss the impact of globalization and judge how much the basic features are similar to each other. According to the Esping – Andersen typology there are following types of welfare states:

1/ liberal welfare state characterized by means-tested assistance, modest universal transfers from the national government and a key role of families offering social assistance. Employees have individual private insurance covering the risk of work ability,

2/ in conservative type of state (corporatist type) the focus is on preserving status differentials. Rights are therefore attached to status. The state may play a role in de-commodification, but it has a very limited role in redistribution. Corporatist regimes are typically shaped by the church, and as such have a conservative orientation and an ideological commitment to the family.

3/ social-democratic state offering people equal conditions with high standards of living. It is based on universal system of social insurance and high employment rate. The stable status is achieved by means of agreements between social partners.

4/ rudimentary model was introduced into the typology later on. The states of the southern Europe have this non-democratic regime with no tradition of social policy and low social benefits seem to represent the liberal model. States with the rudimentary models are characterized with grey economy and non-formal sector. Some groups have advantages of high de-commodification of labour; the other groups are supported by families and charities that may often result in corruption. To the three basic models of social regimes Espin-Andersen (1998) has added some more models:

5/ Social regime with our antipodes – in Australia and New Zealand. At the first sight the regimes in these countries might be assessed as liberal, but the social care is more inclusive as the income limit for benefits gaining does not reach the poverty line but it reaches the level of middle class. The children's benefits are paid to complete families belonging to the middle class. The regime ensures equal conditions for social benefits and has some features of a social-democratic regime. It results in low income difference and relatively high pensions. These regimes have slowly inclined to the liberalization.

6/ The Mediterranean social regimes are employed by governments to maintain their voters support. Mostly benefits for handicapped people and for the people employed in the public sector are paid. These social regimes are formed and based merely on the principle of nepotism than the principle of social protection. This system focuses on family policy and family support.

7/ The East-Asian system in the countries of Japan, South Korea has the attributes of more regimes, such as total employment rate, controlled labour market and industrial structure, relatively high level of equal incomes, the dominance of conservative political power and authoritarian employment policy. This regime has liberal and conservative features. The Japanese system does not create imbalances between social layers, but social services. The regime envisions the existence of different advantages that are accessed by employees with big corporations. Big private corporations replace the roles of states thus discriminating the employees who do not work with corporations (two thirds of workers). At the same time the regime insists on the importance of education and qualification; people with low level of education have no opportunities to work for corporations. Social benefits do not amount high levels as the employer and the families take the main concern in the case of a need. The above mentioned three new systems are not equal to the three above mentioned types as they represent only a combination of features of the basic categories.

### 3 The Pillars of Social Policy

The national social policy is administered and managed by the Slovak Ministry of Labour, Social Affairs and Family. The national social policy is formed by the policy of social insurance and the policy of labour market. The social insurance has three main domains, pillars:

a/ protection – the population is protected against the risk of pension age, handicap, illnesses, unemployment. The basic system is compulsory; there are some options to have additional optional insurance.

b/ a system of a state/national social subsidy, benefit – the system is responsible for funding some exactly classified categories of population in some specific life conditions – families with dependant children, this system is funded by the national budget.

c/ a system of social residual assistance – for people who are under the limit of minimum income or they are in a need, they need social assistance.

The social policy involves also the policy of labour market that is often confused with the policy of employment. The policy of employment belongs to the macro-economic policy that means it is monetary fiscal policy with a legislative framework creating the labour demand. This is not a sort of policy that the resort of social policy can be responsible for.

The policy of the labour market is a domain of social policy that creates the macro-economic tools to resolve the employment problems. It is carried out in two forms: as a passive policy – unemployment benefit, and active policy in the form of community work, re-qualification, benefits to create new jobs, etc.

Another option is to classify social policy from theoretical and professional point of view. This policy offers some groups to meet their needs and to create some living conditions to meet the needs. In line with this classification we must admit that the policy of housing and the policy of health care form a part of the national social policy. It can be concluded that the social policy guarantees the social and economic rights under the conditions that the civil and political rights are applied. Who is responsible for this process? A variety of answers to the inquiry results in different models of social policy based on

- subjects of the social policy – entities responsible for meeting the needs;
- clients within the domain of the social policy – the individuals who are offered the social assistance,
- type and scale of assistance, service,
- goals and tasks of the social policy (Bodnárová, 1997).

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