

## Negotiating the Boundaries of the Welfare State: Changing Perspectives on Social Cohesion

Patsy Dills Tracy, Ph.D.  
Clinical Associate Professor  
School of Social Work  
Southern Illinois University at Carbondale  
Carbondale, Illinois 62901-4329

&

Martin B. Tracy, Ph.D.  
Professor & Director  
School of Social Work  
Southern Illinois University at Carbondale  
Carbondale, Illinois 62901-4329

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A well-documented development in social welfare policies in industrialized nations is the trend towards a more balanced mix in funding and delivering social services<sup>1</sup> (Chassard 1996; Gilbert 1998; Lazar/Stoyko 1997; Michaelis 1998; Michalski/ Miller/ Stevens 1997; Organization for Economic Cooperation and Development 1997a). The reforms typically are intended to do much more than reduce or control program costs and increase accountability. They also generally include serious attempts to increase collaboration and partnerships among the private sector, communities, families, and individuals to plan and support sustainable programs leading to self-sufficiency. An integral aspect of these welfare reform initiatives is the growing recognition that individual and family self-sufficiency is highly contingent on coordinated social welfare benefits and services that are designed to address multiple causes of welfare dependency and unemployment. Equally important is the gradual shift toward programs that are aimed at reducing poverty levels and social exclusion among the most vulnerable populations (Leeuw 1997; Miller 1997; OECD 1997a). Many new program initiatives are more attentive to the rights and special needs of marginalized and impoverished populations, including unemployed youth, migrants, minorities, and women (Berghman 1996; Leeuw 1997; Spicker 1997).

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<sup>1</sup>A social welfare program is a reference to the aggregate of cash income transfers, health care, and social services benefits. The term “social services” is used in the sense of the French “services sociaux” or the German “Sozialhilfe” which may be provided by a variety of government and non-government agencies, including for profit, as well as non-profit.

Altering the mix and extent of collaboration among levels of government, the private sector, and nongovernment organizations (NGOs) in providing social welfare has a potentially profound impact on social cohesion.

The focus of this paper is on developments in policies affecting social cohesion that reflect a shifting balance of responsibility for social welfare programs with regards to: a) the public and private sector, and b) social security (cash income transfers and health care) programs and social services systems (child care, counseling, elderly care, substance abuse treatment, family services, etc.). The discussion will briefly focus on four specific aspects of the shifting balance that impacts social cohesion: 1) factors influencing social welfare reforms, 2) key elements in reform initiatives, 3) the devolution of benefits and services, 4) expectations from program reforms, and 5) policy concerns.

Most of the information used in the discussion was obtained from the International Social Security Association (ISSA) in the preparation of a report by the authors on international trends in social security from 1996 to 1998.

## **FACTORS INFLUENCING SOCIAL WELFARE REFORMS**

Numerous forums on reforming public sector social welfare systems have focused on a variety of interrelated factors related to restructuring the balance of responsibility. Several underlying factors that are often included in discussions regarding new equations in the public-private mix are shown in Box 1. Most of these are familiar elements that have been cited over the past several decades as reasons to modify social protection policies and programs, but they are gaining intensity in recent policy discussions. Selected characteristics of some of these

factors are briefly discussed below.

**[Insert Box 1]**

**Demographics.** The challenges to social welfare and social cohesion presented by aging populations are often linked to dire forecasts of insufficient payroll contributions to fund the retirement and health benefits of retirees, especially in view of rising health care and reduced employment activity after age 60 (Chassard, 1996; Guillemard, 1997; Kopits, 1996). Demographic considerations have long played a critical role in decisions about social welfare among government policy makers, but the publicized potential consequences of growth in the proportion of older people over the next several decades have fueled a number of recent legislative responses.

**Welfare Dependency.** A subtle, but powerful, influence on restructuring social welfare is based on the widely accepted notion of welfare dependency which presumes a direct correlation between the generosity of public welfare benefits and services and a lack of motivation of individuals to become self-sufficient. Indeed, it is often argued that generous social benefits may be the cause of a rising dependency on the welfare state. These and related concerns about the public social welfare sector are well known and have been widely discussed in multiple forums. These arguments, whether factual or perceived, have played a critical role in movements away from the traditional public sector instruments of the welfare state.

The issue of dependency, among other related areas of concern, was recently stressed at a high level OECD conference, “Beyond 2000: The New

Social Policy Agenda,” which noted that “cash transfers and the collective provision of essential services (particularly health care) ..... are not free goods, expandable indefinitely to meet needs. They influence labour market behavior, they strain the public finances, they can lead to passive dependence on public support, and yet they often fail to adequately help those in serious need” (Organization for Economic Cooperation and Development 1997a, 7). These concerns are certainly not new, but the nature of the discussions over their respective roles has taken on distinctive dimensions in recent years relative to restructuring public sector programs.

***Multiple Causes of Welfare Dependency.*** A combination of multiple social and economic factors have surfaced in policy discussions over the past few decades that focus more attention on the inadequacies of the public sector to cope with rapidly changing social and economic conditions, as well as lifestyles (Drew 1996). Traditional central government income supports for long-term and youth unemployment, for example, are cited as being inadequate to deal with problems that result from multiple social and economic origins that cash benefits alone are not designed to address (OECD 1997a). Multiple causes for dependency and multiple barriers to paid work are, for instance, a central feature in current discussions contained in a recent Green Paper on welfare reform in the United Kingdom (United Kingdom Government web site 1998a) which calls, in part, for more social services, as well as new public/private partnerships.

Such discussions are related to a growing recognition of the need for preventative and early intervention programs which are more cost effective in the

long term because they address the roots of social and economic issues. It has long been recognized that programs such as early childhood socialization, school-to-work, health care, substance abuse treatment, mental health care services, and healthy family and community functioning are critical to the reduction of poverty, as observed at the World Summit for Social Development in Copenhagen in 1995 (McCumiskey 1997). Corresponding programs are gaining new appreciation in the face of political pressure for changes in the process for sustaining social cohesion in an era of limited public sector programs and benefits.

***Recognizing Barriers.*** Recognizing barriers to individual and family self-sufficiency is an important aspect in the design of policy to address multiple causes of welfare dependency. This takes many forms, many of which have been integral features of social welfare systems for years, including preventive health care, and social service programs, as well as cash benefits, such as family allowances. One recent example is the Australian Youth Allowance that is designed to remove the barrier of disincentives for young Australians to acquire the skills, training and education required for today's labor market (Australia Government web site 1998).

***Changing Family Structure.*** Changes in family structures, including declining supportive roles of extended families, are often cited as impacting social cohesion and used as a justification for welfare restructuring. It is argued that it is the failure of both the family and the labor market to respond to the needs of changing family structures (single parent households, weakened family ties, reduced family support systems, and increases in two-earner households),

accompanied by declining fertility rates that pose a serious threat to social stability.

***Economic Globalization.*** Another element noted more and more frequently as a rationale for reducing public social welfare systems is the impact of economic globalization on employee and employer payroll contributions and unemployment rates. Implicitly, these are problems for which status quo public sector programs are not necessarily viewed as a viable solution.

***Public Management.*** Confidence in public programs has clearly waned in many industrial societies in the face of a combination of steadily increasing program expenditures with little apparent impact on poverty, drug and alcohol abuse, child and domestic abuse, or crime (Organization for Economic Corporation and Development 1997a). This has led to demands for establishing “best practices” through restructuring public sector social protection programs focusing on administrative and practice procedures that build confidence in the capability of public agencies to deliver effective and efficient programs. One example is a recent restructuring of the administration of the Social Security Agency in Ireland with more focus on human resources and assistance to job seekers, as well as partnerships with the private sector (United Kingdom Government web site 1998b).

***Program Costs.*** Another justification for welfare reform is aimed at controlling public program expenditures. This point has been strengthened in recent years due to growth in government expenditures and the strain that public social programs place on limited budgets and resources. This has also generated

more widespread pressures for governments to address the potential problem in an effective and efficient manner, which, it is often argued, can best be achieved with more services and benefits delivered by the private sector.

***Social Exclusion.*** The concept of social exclusion is beginning to play an instrumental role in policies related to the balance of responsibility and social cohesion (Gilbert 1998). While there is no single explicit definition of social exclusion, the term is widely used in bureaucratic, academic and public forums as a preferred way of broadening the concept of poverty (Organization for Economic Cooperation and Development 1998) and solidarity (Silver 1994). It is designed to raise the level of consciousness with regards to individuals' restricted access to adequate employment, cash transfers and personal social services, as well as to avenues of participation in decisions about programs and policies that directly impact socially excluded individuals and families. Mentioned in the 1988 E.C. Social Charter and by the 1989 E.C. Council of Ministers, the term "social exclusion" has been used to refer to the dynamic processes that form the basis of poverty (inadequate social programs, low wages, single parenthood, mental illness, drug and alcohol addictions and abuses, discrimination, inadequate education, and other factors that lead to marginalization). This dynamic process makes the concept more multidimensional than typical definitions of poverty and more attentive to the constantly evolving environmental factors that contribute to economic and social dependency (Berghman 1996).

This series of distinct, yet related, conceptual ideas about social protection may be the most important and intriguing in terms of providing an impetus for a



shift in the nature of policies and programs related to social cohesion through devolved and better coordinated systems of social protection at more local areas of impact.

### **KEY ELEMENTS IN REFORM INITIATIVES**

The general response to the factors that contribute to pressure for public social welfare reform has been to implement policies that tend to shift responsibility for social welfare from the public to the private sector. The key elements to the shift are summarized in Box 2 which highlights: a) the primary objectives of welfare reforms, b) the philosophy of reciprocal obligations, c) benefit redesign to support work incentives, and d) the function of case management and social services. Collectively, these key elements reflect trends in changing perspectives that are not only relative to social welfare programs, but also to concepts about the respective roles of the public, private, community, family and individual sectors in promoting self-sufficiency and sustaining social cohesion.

**[Insert Box 2]**

### **DEVOLUTION OF BENEFITS AND SERVICES**

A series of interrelated complex policies that formulate a new approach to social cohesion has involved a process of devolving centralized government responsibility to multiple lower levels of government, as well as a public-private mix of non-government organizations, private industry, and consumers who participate in decision-making about social welfare programs and provisions. In many respects this trend towards devolution is also designed to improve the

effectiveness and efficiency of social welfare programs by a process of “new public management” which is based on market-type mechanisms and autonomy in decision making (Leeuw 1997; Lazar/Stoyko 1997; Organization for Economic Cooperation and Development 1995). The intent is not only to make public sector organizations more accountable, but also to expect more effectiveness and efficiency from quasi-public sector organizations who assume many of the services that were previously primarily the task of more centralized government.

Some of the more recent efforts to devolve benefits and services are shown in Box 3 which reflect a broad range of program mechanisms aimed at changing the balance of responsibility. A major feature of each of the initiatives listed here is a focus on employment incentives, social security contributions, and social support systems to develop policies that reduce social and economic barriers to work (McCumiskey 1997). This exhibits an expanding awareness of the multiple causation of unemployment and the interdependency of public and private programs.

Another common characteristic is to facilitate the development of social services that are provided by the private sector, including for-profit as well as not-for-profit community-based agencies. One important facet of such policies is for the public program to reduce or eliminate the direct provision of services in favor of contracting with a private or community agency for services. This approach shifts the role of public systems from a provider to a contractor and leads to a greater dependence on partnerships with non-government agencies.

A third important facet is that cash benefits and services are not merely provided as rights to people in poverty or to extend solidarity, but are also designed to engage people in social networks by requiring them to enter into a contractual agreement in order to receive any benefit. For example, this is characteristic of RMI in France (Spicker 1997) and most of the welfare reform measures at the state government level in the United States.

*Public Sector as a Service Purchaser.* There are a number of examples of unfolding public-private collaborations which tend to place more of the burden for services and benefits on non-public agencies. One aspect of this trend that has become fairly widespread in many nations is the shift from the public sector as a provider of services to the public sector as a purchaser of services (Glennster/Le Grand 1995). In the United States a 1993 study reported that almost 80 percent of the state social service departments surveyed had expanded privatization of services in the previous five years (United States Government Accounting Office 1997). This trend is likely to accelerate as the process of devolution increases.

Trends in devolution have led to the expansion of NGOs and quasi-market, quasi-public agencies who provide social welfare services. Contracting out certain services is particularly being used with regards to health care and support services for children and families, and is a major component of a number of recent reform initiatives, as shown in Box 3, including private contracting for unemployment in Australia.

**[Insert Box 3]**

*Community-Based Initiatives.* An example of an initiative which is aimed at capacity building in low-income, high unemployment areas by shifting more responsibility to the community is the Community Development Programme (CDP) in Ireland. The CDP supports local resource centers that are focal points for community development activities in economically poor areas. In 1996 there were about 80 projects (McCumiskey 1997). The projects are complementary to the Government's Operational Programme for Local Urban and Rural Development that promotes local enterprise initiatives.

*Economic Empowerment Zones.* A similar emphasis on local enterprise development and community social services is found in rural development policies in the United States under the National Rural Development Partnership (NRDP) and the Empowerment Zone and Enterprise Community (EZ/EC) programs. The primary focus of these programs is clearly local economic development, but they also include a significant mandate for the development of community social service programs in recognition of the need for systems of local and regional social support.

Eligibility for these programs is based not only on economic criteria, but on the community's ability to demonstrate a high level of cooperation and solidarity among all sectors of the community. A recent OECD has shown that EZ/EC programs demonstrate effective "complementarity between top-down and bottom-up strategies" (Organization for Economic Cooperation and Development 1997b, 91).

## **EXPECTATIONS FROM PROGRAM REFORMS**

There are a number of specific expectations or programmatic outcomes that have emerged from discussions related to controlling government program expenditures and increasing public-private shared responsibility. While there is certainly a wide range of attitudes on approaches to welfare reform (Taylor-Gooby 1997), some of the more frequently mentioned expectations and assumptions related to specific policies are briefly noted below.

*Reductions in Payroll Contributions.* One anticipated expectation or desired outcome of policies that focus on limiting the scope of social security benefits is a reduction in contributory employee and employer payroll contributions which, in most industrialized countries, are perceived as having reached a point of saturation. While there are numerous examples, the recent discussions related to German Pension Reform 1999 to avoid any increase in payroll contribution rates is a case in point. In any case where a significant reduction in social security program expenditures, or payroll contributions, has not been politically feasible, there are expectations that the various limitations that have been imposed on cash income transfers and social service benefits will, at minimum, keep payroll contributions from rising.

*Private or Occupational Supplementary Schemes.* Directly related to limiting payroll contributions are policies which seek to increase opportunities for individual choice and incentives that would contribute to both prosperity and social cohesion (Snower 1997). Among various proposals are efforts to expand the role of private or supplementary schemes, as well as increased incentives for

personal savings (Box 4). This approach continues to be viewed by some as a viable alternative option with the capacity of offsetting a significant portion of program expenditure issues related to demography and labor market behavior. Discussions on the potential scope of occupational pensions, especially defined contributions and personal savings, reflect a wide range of opinions. These vary from those that encourage the use of the private sector as a supplement to public systems to beliefs that public schemes should supplement the private sector. While there are various provisions for defined contribution schemes along with tax incentives for private savings in most industrial nations, this does not yet appear to represent a major policy approach (Steinmeyer 1996). Nevertheless, some examples of established supplementary schemes in several industrial countries are worth noting.

**[Insert Box 4]**

*Income-Tested Benefits.* Another expectation stemming from the devolution of public social welfare programs partnerships is a greater reliance on benefits that are income tested (Eardley, et al 1996; Organization for Economic Cooperation and Development 1998). One assumption is that cash and in-kind benefits limited to those who can document a need based on their level of income or means will help control expenditures and reduce welfare dependency. While this approach has long been the subject of intense debate, there has been a clear increase in the significance that these programs play as a proportion of GDP in industrial nations (Ditch/ Barnes 1996). One rationale of proponents for such programs is that they are cost effective.

Opponents, however, note the high administrative costs inherent in most income-tested programs, as well as various problems associated with stigmatization. Other counter arguments are: that middle and higher income groups would be less willing to contribute to a system that protects only the poor; that such programs undermine the incentives for self-sufficiency unless the benefits are extremely low; and that children are made more vulnerable in at risk families who do not take-up income-tested benefits for numerous reasons (Evans/Piachaud 1996).

Several Scandinavian nations and New Zealand have recently implemented a variety of modifications in social security that are aimed at restricting benefits to individuals that meet newly implemented income tests, as shown in Box 5. These measures were part of comprehensive pension reforms that also more closely linked pensions to work history in Norway and coordination between contributions and benefits in Sweden (Kuhnle/Eitheim 1997). It is important to note that the impact of more stringent qualifying conditions may be offset in Nordic countries by the integration of cash and social services in the system that enables early identification and referral of clients with related social problems (Organization for Economic Cooperation and Development 1998).

**[Insert Box 5]**

*Informal Care.* Advocates of reduced public social welfare programs typically expect there to be a responsive increase in informal family care. This entails greater reliance on extended families for a wide range of social services.

An underlying assumption is that families have the capacity and the willingness to take on more responsibility in caring for family members. It is believed that informal services can assume some of the services currently expected from public programs. One intent of emphasizing informal support is to reduce the need to increase cash benefit amounts and expand personal social services, as well as the revenue required to support them.

*Cash Benefits.* An important aspect of increasing informal care is establishing provisions in cash benefit programs that enhance family capacities. Some examples of recent developments shown in Box 6 include a Parenting Allowance in Australia which will help to reduce the stigma attached to single (lone) parents by recognizing that “all parents, regardless of their marital status, make a major contribution to society” (Australian Minister for Social Security 1998). Another initiative is the cash benefit program development in Switzerland which in January 1997 introduced child-raising and caregiving credits, along with credit-splitting to its old-age pension system aimed at addressing issues of equity for the protection of women (Siegnehtale, 1998). In addition, Germany is introducing a modification in its child care benefit by raising the ceiling on “baby year” credits to 100 percent of average earnings, effective July 1, 1998 (Hinrichs 1998; Scholz 1998) which reduces penalties for families.

**[Insert Box 6]**

*Employment-Related Services.* While numerous government programs are currently in place to facilitate employment through special training, rehabilitation, sheltered workshops and the like, greater attention is being paid to



expanding efforts to address a broader range of potential environmental and personal barriers faced by individuals who might be capable of active labor market participation. One important role of the private sector in this regard is social service assistance that enables more people to be actively engaged in the labor market. This includes collaboration among the public and private sectors in supporting such endeavors as additional and new training programs that increase employment opportunities for the unemployed; enhanced school-to-work programs for young people; special work provisions for women and older persons that make it easier for full and part-time employment; more personal support and work opportunities for people with disabilities, mental illness, or dysfunctional family problems; improved fringe benefits for part-time workers that encourage entrance into the labor market at entry level jobs; and income protection and credit systems that assist individuals in making a living in the informal work sector.

***Program Accountability.*** An important dimension receiving greater attention in program expectation in the process of developing a stronger collaboration between public and private sectors is that of program accountability. To a considerable extent, this is a response to a tacit acceptance of the assumption that local, private, or non-governmental implemented and managed programs are more accountable.

Public pressure to ensure program accountability in terms of a clear demonstration that programs address defined needs has given rise to a widespread standardized process of program accountability through a feedback loop of

assessment consisting of various elements, including: 1) determining population or community income and social service needs with empirical data, including input from consumers, 2) establishing achievable program goals based on the available information, 3) setting measurable program outcomes, 4) using the information from the outcomes to refine the program by adding or modifying provisions and, if necessary, setting new goals and outcomes, and 5) simplifying the process of receiving services and benefits by providing a single point of entry into the system and coordinated services among various agencies. This process has generated various reductions in program funding along with administrative restructuring of public welfare programs.

Some recent illustrations of various aspects of this general approach include government initiatives in Australia's Department of Social Security (Australia Ministry for Social Security 1998, and Ireland's Social Security Agency (United Kingdom Government web site 1998b). Other examples include discussions on welfare reform in the United Kingdom's Green Paper (United Kingdom Government web site 1998a) and welfare reform in the United States.

*Community and Corporate Responses.* Another potential expectation of devolution and welfare reform is that of expanded corporate and local commitment and governance (Michalski/ Miller/Stevens 1997). This would entail efforts at getting commerce and community leaders to be more involved in decentralized local and community initiatives and decision making with regards to economic and social development. Such collaboration would presumably result in more coordinated and, hence, more efficiently financed local projects.

Clearly, the formulae for new mixes of private-public, state-local government, and community-family programs that contribute to social cohesion through effective and efficient income and social service policies and programs are complex and varied. Moreover, most of the emerging configurations are too new to provide accurate evaluation. Nevertheless, there is a wide variety of experiments underway that may provide some understanding of what works or, at minimum, provides some insight as to what is the “best practice” possible under social, political and economic circumstances.

***Civil Society.*** There is also an expectation that social welfare reforms will combat social exclusion by improving social service inter-agency and inter-professional collaborations that also promote stronger social ties in families and communities (Cannan 1996). These efforts are closely linked to civil society approaches to coping with social exclusion and poverty by building on “social capital” through increased organization and participation of those marginalized groups who are most affected by welfare policy reforms (White 1997).

***Related Initiatives.*** While this paper is focused on the efforts among industrial nations to sustain social cohesion while restructuring social welfare delivery systems in their own nations, the awareness of the importance of social cohesion in economically developing nations has led to several major international initiatives. One such initiative is the UNESCO Management of Social Transformations (MOST) program which was adopted as the official priority of nations following the Copenhagen World Summit for Social Development. It promotes socio-economic cohesion, ethnic-cultural integration

and poverty reduction through “best practices.” While focused on economically developing nations, it has many of the common elements related to goals and strategies of partnerships and devolution in industrial countries.

Similarly the European Union’s PHARE grant program established in 1989 primarily for economic restructuring in Hungary and Poland has gradually expanded geographically to other Central and Eastern nations and emphasized the development of democracy through partnerships among social welfare NGOs and local communities. Financial grants from PHARE promote many of the fundamental elements characteristic of the efforts associated with devolution and decentralized capacity building in industrialized nations.

Another example of international effort to build social cohesion through expanded social safety nets, social assistance, and the prevention of poverty is the *Strategies and Tools against social Exclusion and Poverty* (STEP) program of the International Labor Organization. The objective of this program is to improve the use of tax-based transfers for populations that are not traditionally covered through wages and work, such as the informal work sector. The intent is to develop ways for these populations to provide their own social welfare through non-conventional means, including family and community-based programs and projects that do not rely on work-related centralized systems.

## **POLICY CONCERNS**

The desirable outcomes expectations anticipated from a shift in the balance of benefits and services from state government to local government, and from the community and the private sector noted above are tempered by a number

of potentially negative consequences that may result from a reformulated approach to social cohesion. Some of the concerns that have been raised about actual and proposed changes are briefly noted below.

***Increased Poverty Rates.*** One major concern is the potential for substantial increases in poverty rates, particularly among the elderly and the marginally employed. Social welfare currently provides a strong buffer against poverty in Europe (van Ginneken 1996). Attempts to make significant structural changes in the funding and delivery of income and social service programs may, however, place that level of protection at risk. Expanding income-tested benefits and services, for example, could reduce the safety net for those marginal low-income people who are near the poverty level, but do not meet the qualifying conditions. There are also major concerns expressed about the potential negative results of privatized pension systems with particularly threatening potentials for women with erratic work patterns and low wage employment (Luckhaus 1996).

***Social Exclusion.*** There is also concern that any excessive emphasis on program efficiency and effectiveness characteristic of support for programs such as income-tested benefits may divert attention from the broader issues related to addressing specific categories of need in the expectation that such programs are more cost effective (as the case is made for income-tested programs, for example) are less likely to succeed if provisions are not made for programs that expand, rather than restrict, the participation of persons who are socially, politically, or culturally excluded from the mainstream (Berghman 1997). The concern over participation in program development and implementation by persons most

impacted by decisions about income and social service programs, is related to efforts to maintain the elements of civil society. Those who see elements of decline in democratic civil society would include more communication and interaction among policy and program decision makers, professional service providers, and consumers of services.

***Limited Impact of Decentralized, Non-Public Programs.*** Another concern is over the potential negative effects of the trend toward an increased reliance on decentralized and non-public programs. While there is apparently wide scale support for NGOs and for-profit social service agencies to compensate for some of the anticipated reductions in public cash income benefits and services, the scope of the organizations' ability to make up losses from public programs are uncertain and untested. These concerns range from doubts about the viability of investments in private occupational pension funds or in personal savings as a significant supplement to public pensions to apprehensions about the capacity and willingness of communities and NGOs to provide accessible social services.

***Reduced Family Capacity.*** Questions are also raised about the increased focus on nuclear and extended families as a resource for income protection and services currently provided primarily by government. One concern, for example, is that smaller families with more frail elderly (Hennessy 1996) accompanied by reduced health care and minimal public cash benefits will have difficulty in adequately providing protection. Will the reductions in public programs force families to rely on purchasing private sector support services? If so, what provisions will be made for low-income earners, single parent households,

households with disabled members, etc? While some provision would be available through charities (NGOs) and philanthropical foundations, will these develop in sufficient numbers to offset the loss of public protection? Will families be faced with choosing among services where safety or professional standards are not as well regulated?

*Capacity for a Viable Balance between Public and Private Sectors.*

Experiments with the private-public mix in industrial nations seem to speak to the enormous complexity involved. While there are serious challenges in balancing private and public sector involvement, it is also a formidable task to create a proper balance between cash income and in-kind social services, including health. There has been little research on the nature of the relationship between income support systems and social services within the context of social welfare or social cohesion. There is little public discussion on how these two complementary systems will be balanced in the face of reduced public income support programs and greater reliance on the private sector, communities, NGOs, and families. The absence of a clear understanding of the potential impact that reduced public cash income benefits will have on the necessity for additional social services is an area of concern.

**SUMMATION**

Most industrial nations are engaged in examining policy and program modifications to the welfare state with the goal of limiting the role of centralized government in maintaining social cohesion by changing the mix of public-private, state-local government, community, and family responsibility for social welfare.

A wide variety of social, demographic, economic and political factors have provided the impetus to limit public social welfare schemes and to explore the viability of expanded public-private partnerships. There are concerns over public welfare dependency, public welfare program management efficiency and effectiveness, work patterns and employment opportunities, education and skill training, family structures, demographic changes, and economic globalization.

Reform efforts are also being influenced by a broadening of the conceptualization of poverty to social exclusion which gives more consideration to the multidimensional and inter-dependent factors that lead to impoverishment and dependency on social support systems, including: low wages, erratic employment patterns, single parenthood, mental illness, drug and alcohol addictions and abuses, social and economic discrimination, and inadequate education and training, among others. Most important in terms of policy is that the comprehensive perspective of socially exclusionary conditions that threaten social cohesion has led to some recognition of the need for policies that facilitate coordination between cash income, health care, and social services to individuals and families, as well partnerships between public and private welfare systems.

In response, many governments are exploring methods to: 1) increase public-private collaboration, and 2) assist local government, community, family, and individual capacities in being more self-sufficient and less reliant on public programs. Some of the more apparent programmatic expectations from changes in policies and programs, include: 1) a reduction individual and corporate payroll contribution burdens, 2) an increase in private options for savings and old-age



pensions, 3) an expanded role of income-tested benefits in providing a safety net, 4) an increase in informal family support, 4) an increase in services provided by community charities, NGOs and for-profit agencies, 5) additional education, skill training and social support programs to better prepare the workforce, especially populations at risk (unemployed youth, individuals with disabilities, persons with addictions and mental illness, older people, unskilled workers, etc.), 6) improved program management that is more accountable, effective and efficient, and 7) augmented corporate and local government commitment to economic and social development through collaboration.

While there seems to be general support to sustain social cohesion through improved social welfare delivery systems, there are concerns that the efforts underway or under consideration may raise poverty rates and lead to accretions in populations who are socially excluded. There is also concern that non-government, local government or community programs do not have the capacity to sufficiently make up for attenuated public support systems. Nor will many families be able to compensate for reductions in cash income and personal social services to their children, disabled, or elderly members. In addition, there is concern that reductions in public cash income programs will lead to a greater reliance on charities, in-kind and personal social services which they may not be prepared to provide.

The trends toward the devolution of public schemes for social welfare and social cohesion discussed here are primarily based on reports from conferences and proceedings, as well as selected studies and articles. However, it is important

to note that the extent to which devolution is happening is not yet well documented or known. Nor are there clear indications of how effective the multiple efforts toward devolution will be in achieving the desired goals and outcomes. However, there is clearly a trend toward an interest in restructuring welfare systems in an effort to sustain social cohesion while reducing the reliance on the welfare state.

## Box 1

### Factors Contributing to Social Welfare Restructuring

Changes in demographic structures, especially increases in the proportion of elderly and retired persons.

Growing differences in family structures, including poorer single parent single-earner or no-earner households.

Continued urbanization of societies and the decline of the extended family.

Increased dependency on social welfare instead of self-sufficiency.

Evidence of multiple causation of, and barriers to, long-term unemployment and welfare dependency.

Relative growth in self-employment and the seeming growth of small employers as a source of employment.

Growing differentiation between the well-educated/skilled and the poorly educated/ unskilled (the increased wage gap in the United States and employment gap in Europe).

Failing confidence in public management of social welfare programs.

Evidence that proper early childhood development is highly correlated with educational achievement, effective learning, and successful economic and social integration.

Economic globalization.

Social exclusion of marginalized and vulnerable populations.

*Sources: Chassard, 1997; Lazar/Stoyko, 1997, United Kingdom web site.*

## Box 2

### **Key Elements of Social Security and Welfare Reform Initiatives Related to Social Cohesion**

#### ***Objectives of Reforms***

Cut social security costs

Redirect the saved resources into more productive activity.

Reintegrate the socially marginalized back into employment and other mainstream activities.

#### ***Philosophy of Reciprocal Obligations***

The view that social security is not a unilateral right; rather it is a relationship which involves obligations on the part of the beneficiary. For people of working age the obligation involves making all reasonable effort to become self-supportive, to support family dependents, and to take up appropriate employment, training or community work obligations.

#### ***Benefit Redesign to Support Work Incentives***

At the system design level, the conclusion is that social security benefit systems and related payroll contributions and government tax systems should be restructured to encourage participation in paid work. It should always be more remunerative to work than not to work. Further, where part time work is the only feasible option, its pursuit should increase the net income of the social security recipient.

#### ***Case Management/Social Services***

The case management approach in the administration of social security and social service systems shifts focus from passive payment of entitlements to individual case management designed to actively move people out of dependence on social security payments. Case management involves active information, advice, “brokerage” with support services and facilitation in job placement. It may also involve the application of sanctions, such as benefit reduction or cancellation against individuals who refuse to co-operate in appropriate employment or training programs.

*Source: Adapted from Preston, 1996*

## Box 3

### Devolution of Benefits and Services

#### *Australia*

Contracting Out Services for the Unemployed

#### *Finland*

Municipal Social Assistance

#### *France*

Revenu Minimum d'Insertion (RMI). Decentralized residual benefit limited to activity based on contract of reciprocal undertakings by the individual and the society.

#### *Ireland*

Community Development Programme (CDP). Operational programme for local urban and rural development.

#### *Sweden*

Social Allowance

#### *United Kingdom*

Income Support and Family Credit programmes.

#### *United States*

Welfare Reform under Personal Responsibility Act of 1997.

Decentralized residual time-limited benefit related to work activity and contractual agreement for social services with NGOs.

Empowerment Zones and Enterprise Community programs.

*Sources: Maddock, Corden/Hunt, 1997; Organization for Economic Cooperation and Development, 1997b; Spicker, 1997.*

## Box 4

### Increased Reliance on Supplementary Schemes

<i>Company Schemes</i>	Canada, Denmark, Ireland, Germany, Portugal, Spain, United Kingdom
<i>Industry-Wide Schemes</i>	Denmark (under development), Netherlands
<i>National Supplemental Schemes</i>	Denmark - ATP France - ARRCO & AGIRC Greece - IKA-TEAM Sweden - STP & ITP
<i>Individual Pension Plans</i>	Canada, Denmark, United Kingdom, United States

*Source: Raynaud, 1997.*

## Box 5

### Shifts in Income Support Safety Net

<i>Canada</i>	Canada Pension Plan reform to complete the transformation from a universal to an income-tested system.
<i>Denmark</i>	Converted universal benefit for pensions over age 70 to income test (1994).
<i>Finland</i>	Minimum pension paid only to pensions with employment-derived pension below a certain limit (1996 & 1997)
<i>New Zealand</i>	Replaced Family Benefit program with Family Support program to provide benefits only to low-income families (1991).
<i>Norway</i>	Introduced income-testing for pensions for persons age 67-70.
<i>Sweden</i>	Basic pension paid only when employer pension is low or non-existent (phased in from 2001).

*Sources: Battle, 1998; Kuhnle/Eitrheim, 1997; Mackay, 1997.*

## Box 6

### Cash Benefit Incentives for Sustaining Family Capacities

Australia	New Parenting Payment combines Sole Parent Pension and Parenting Allowance into one benefit, March 20, 1998.
Germany	Raised ceiling on child care credits to 100% of average earnings effective July 1, 1998.
Switzerland	Child raising and caregiving credits, as well as credit splitting have been added to the old-age pension system (AHV/AVS) as of January 1, 1997.

*Sources: Australian Minister for Social Security, 1998; Hinrichs, 1998; Scholz, Wolfgang, 1998.*

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