

Contemporary Social Policy in the E.U.

Professor John Wilton

Lecture 2

**Models of Welfare in European
Union States: 'old' and 'new'
convergence**

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1. What we mean by ‘social policy’ and ‘the welfare state’
2. The ‘characterisation’ of European Union Welfare States – ‘old’ and ‘new’ convergence processes.

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1. What do we mean by ‘social policy’ and ‘the Welfare State’?

- 2 variations

a) the British definition – collective provision of ‘social services’

b) ‘continental Europe’ – institutions and relations associated with the labour market

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- broad definition of social policy:

“government interventions that are designed to affect individual behaviour or command over resources or to influence the economic system in order to shape society in some way”

(Kleinman, M.P. and Piachaud, D. ‘European Social Policy: Conceptions and Choices’, in *Journal of European Social Policy*, 1993, 1, p.3)

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‘Welfare State’:

“Concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life”.

(the Encyclopaedia Britannica)

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2. The ‘characterisation’ of European Union Welfare States – ‘old’ and ‘new’ convergence processes.

- 2 time periods:

a) 1945 to mid-1970s – ‘old convergence’

b) mid-1970s to present – ‘new
convergence’

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- a) 'Old' Convergence (1945 to mid-1970s)
 - similar effects of domestic and international 'causal processes' produce similar social policies and welfare systems
 - industrialisation produced mixed economy and greater state intervention, based on mixture of Keynesian economics and social democratic welfare provision = Keynesian Welfare State model (KWS)

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- b) 'New' Convergence (mid-1970s to present)
 - economic crisis of mid-1970s leads to change of attitudes and priorities by governments – decline of 'welfare state optimism'
 - rise of 'New Right' ideology, politics and political leaders (F. Hayek, M. Friedman, M. Thatcher) – arguments based on 'role of the market' and 'consumer sovereignty'

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- *'new convergence'* theory based on *'convergence downwards'* (retrenchment, reduction and cuts to social policy and welfare in order to adapt to the demands of the 'free market')
- *'old convergence'* theory portrayed as *'convergence upwards'* (based on the on-going inevitability of an expanding welfare state)

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- Since 1980s ‘new convergence’ in social policy and welfare state characterised by:
 1. Role of the state in social policy and welfare provision connected closely with economic conditions;
 2. Shift towards market principles in welfare and social policy provision

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3. Increased decentralisation of responsibilities in terms of welfare and social policy provision;
4. Increased pressures on government social expenditure through:
 - a) increased real costs of provision of welfare
 - b) pressures for reduction in taxation
 - c) pressure for national debt and public spending reductions following 2007/8 financial crisis
 - d) ‘demographic time-bomb’ – ageing EU population and decline in birth rate

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- by 2020 estimated that 27% of of EU population will be aged over 60 (70% increase compared to 1960) (*Eurostat 2001*)
- estimated that from 2005 to 2030 EU will lose 20.8 million (6.8% of population) people of working age (*European Commission Green Paper on Demographic Change – COM(2005)94final*)
- estimated that by 2030 EU will have 18 million fewer children and young people (under 25) than in 2005

(all these estimates and figures, and those on next slide, are based on 2005 EU population and Member States)

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- by 2030 in EU there will be 2 people of working age for every one person aged over 65 (in 2005 there were 4 people of working age for every one person over 65)
- By 2030 estimated there will be 34.7 million EU citizens aged 80 and over (18.8 million in 2005)
- Ratio of EU dependent young and old people to people of working age

2005 = 49% (1 old to 2 young)

2030 = 66% (2 old to 3 young)

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5. On-going continuing programme of managerial reform of public services ('modernisation') to reduce costs and increase efficiency
6. Increased 'selectivity' of those people 'entitled' to welfare and social policy provision – in some cases leading to rise 'social exclusion' and increased risk of poverty

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Common factors and causes of ‘new convergence’:

1. Slower economic growth 1970s and 1980s, and financial crisis 2007/8
2. Changes in labour markets
3. Demographic changes
4. Changes in family structures
5. Ideological change amongst political leaders
6. EU integration processes

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Three responses by EU states to causes and factors producing ‘new convergence’:

1. To ‘commodify’ or ‘re-commodify’ welfare – strengthening and introducing more market principles
2. Cost containment – limiting increases in benefits, and therefore, in welfare and social policy spending
3. ‘Modernisation’ – refining management of welfare and social policy provision