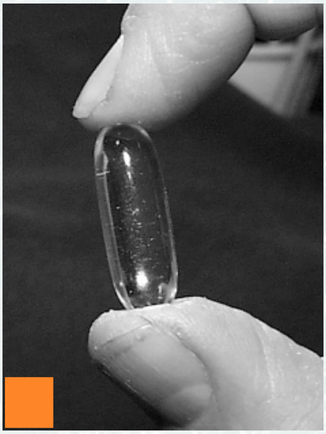
The Welfare Society in the 21st Century

42

Neil Gilbert



WELFARE SYSTEM

The Enabling State

Fafo

The Enabling State
An Emerging Paradigm for Social Protection

Neil Gilbert

Fafo

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Preface

This report is one of the products from a project entitled *The Welfare Society in the 21st Century*. Funded by the Norwegian Confederation of Trade Unions (LO) and the Norwegian Labour Party in commemoration of LO's 100th anniversary in 1999. The project spans a broad range of issues, including economics and working life, everyday life and civil society, social services, social security and welfare state distributions. A number of publications show how Norwegian society has developed in recent decades, and discuss challenges and opportunities on the threshold of a new millennium.

The project is based on contributions from scholars in Norway and abroad. Some reports are based on papers delivered at seminars while others are the result of more comprehensive studies. A list of all publications resulting from the project – a total of 44 reports and the main book *Between freedom and community* (in Norwegian only) is annexed.

The project has been directed by a project group headed by Ove Langeland and otherwise composed of Torkel Bjørnskau, Hilde Lorentzen, Axel West Pedersen, and Jardar E. Flaa and subsequently Reid J. Stene. The group received useful and constructive comments from several colleagues at Fafo and from other sources. Jon S. Lahlum has ensured that the reports are published in professional form. The project group would like to express its gratitude to the sponsors for making the project possible.

Oslo, April 1999
Ove Langeland

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Over the last decade arrangements for social protection have undergone a series of important changes, which are redrawing the boundaries and transforming the character of welfare states in many, if not all, of the industrialized nations. Some of these developments are attributed to the needs for greater labor force adaptability and productivity as national markets are absorbed into the competitive sphere of the global economy. A popular text on social policy in the United States claims that "to reestablish the legitimacy of the welfare state it is necessary to demonstrate how social programs can contribute positively to the nation's productivity" – a sentiment echoed by the Dutch Minister of Social Affairs and Employment's call for "re-shaping the welfare state into an economic performer" (Karger and Stoesz, 1994; Melkert, 1997). Along similar lines, in New Zealand de Bruin (1997) sees the subordination of social policy to the demands for labor flexibility and the constraints of international competition as a distinctive feature of the changing institutional framework for social protection.

Related accounts of the changing character of social protection emphasize increasing public interest in the design of policies that provide incentives for people to work in the market economy or to be independent and contribute actively to the community in other ways. Torfing (1997) notices a revised political discourse in which "solidarity and equality" is replaced by "independence and opportunity." This aspect of change has been characterized as moving: from the "Keynesian Welfare State to the Schumpeterian Workfare State" (Jessop 1994), from "social rights to social obligations" (Mead 1986), from "passive to active social policy" (OECD 1988), and – for those who favor more evocative metaphors – from "safety nets to trampolines" (Torfing 1997). The change has also been labeled the "third way" (Blair, 1998).

Another deviation from the conventional framework of social protection is marked by heightened emphasis on the benefits of competitive markets. Thus, for example, Ploug and Kvist (1996) find that in Sweden "several of the non-socialist parties as well as groups within the Social Democratic Party have taken up the position of 'less state more market' in the field of social security policy." This facet of change is manifest in the movement toward privatization which has inspired descriptions and analyses of the "Hollow State," the Contracting State," and the "Mixed Economy of Welfare" (Milward and Provan, 1993; Eardley, 1997; Weatherley, 1994; Evers and Svetlik, 1993). Analyzing the increasing role of the market in the "Post Modern Welfare State" Ferge (1996) notes that the formal rationality of the market is being imposed on all spheres of activity. "Works of art, the organization of Oxford Colleges, the activity of social policy, or even the most insignificant acts of everyday life are all subjected to the profitability calculus."

In a flourish of neologisms– the Schumpeterian Workfare State, the Hollow State, the Contract State, the Hidden Welfare State, the Social Investment State, the Active State, the Mixed Economy of Welfare, the Post-Modern Welfare State, and the Enabling State – efforts have been made to capture the essential features of change. What do all these new classifications add up to? Do they signal a paradigm shift or the need to lend analytic discourse on social welfare a fashionable currency by pasting modern conceptual labels on old models? Before answering this question, let us take a brief glance backwards to reflect upon some of the concerns about the welfare state that were being voiced just prior to the 1990s.

From the early 1970s to the mid-1980s, there was an ongoing debate in the literature about the "crisis" of the welfare state (OECD, 1981). According to Mishra (1984), the intellectual and moral legitimacy of the welfare state was in "serious doubt". From a Marxist perspective, O'Connor (1973) saw the fiscal crisis of the state, in part, as a crisis of public expenditure brought about as the state seeks to legitimate and advance the capitalist system through provisions such as education that socialize some of the costs of production and welfare benefits that mitigate the afflictions of surplus labor. Hill and Bramley (1986) found some evidence and much concern that in the mid-1970s the British government would not be able to finance social expenditures to which it was committed, but remained "skeptical as to how much of a real crisis these represent." Similarly Klein and O'Higgins (1985) concluded there was no crisis in the British welfare state "in the simplistic sense of impending bankruptcy." However, they recognized that although the welfare state of the mid-1980s was a response to the problems and values of the first Industrial Revolution, future arrangements for social protection will "have to cope with the consequences of the second Industrial Revolution; this will, almost inevitably, mean responding to a new set of problems and perhaps a new set of values."

In retrospect, the discourse of the 1990s can be seen as closely related to the earlier debates on the crisis of the welfare state. The term "crisis" connotes an emergency in which there is danger of serious harm and ruin; in the debates up through the mid-1980s this connoted for some an impeding moral and fiscal depletion of the welfare state. But, there is another meaning, in which "crisis" represents a turning point. The replacement of the analyses of crisis in the 1970s and 1980s with the 1990s discourse on reclassifications of arrangements for social protection suggests that the earlier crisis was not signaling an impending bankruptcy so much as a turning point – a change of course in response to new problems and values, emerging partly, as Klein and O'Higgins suggested, from the second Industrial Revolution.

But returning to my earlier question, has this change of course moved recent social welfare policies only a few degrees to one side or so far in a different direction that one might speak of a paradigm shift toward a new institutional framework for social protection? As the title of this paper suggests, I believe the evidence indicates such a basic shift has occurred (or to hedge the bet, at least is far enough along that one might speak of an emerging paradigm), most strongly in the U.S. and England, with many of the other advanced industrialized nations moving steadily in the same direction. The reasons for this fundamental change will be examined shortly.

First, however, if a new institutional framework for social protection is in the offing, it needs a name – a conceptual representation that differentiates it from the conventional welfare state model. Among the neologisms identified above, the distinction between the "Keynesian Welfare State" and the "Schumpeterian Workfare State" is the intellectually toniest conceptualization, with allusions to the thinking of John Maynard Keynes and Joseph Schumpeter. Although the emphasis on "workfare" describes an important facet of the recent developments in social protection, it captures only one dimension of a multifarious change. Similarly, the other models tend to accent uni-dimensional attributes; references to the "Contract State" and the "Hollow State" suggest that the spreading privatization of social welfare is the essential feature of change; the "Hidden State" draws attention to the increasing use of tax expenditures and other indirect measures to effect social transfers, often to the middle classes (Howard, 1997); and akin to the Schumpeterian Welfare State," the "Social Investment State" and the "Active Society" refer to policy measures designed to enhance human capital and move people into the labor force (OECD, 1989; OECD, 1990; Economist, 1997).

In contrast to these uni-dimensional characterizations, the "Mixed Economy of Welfare" conveys a rather sketchy framework, which incorporates a broad range of designs for social protection based on a combination of efforts emanating from the state, market, voluntary and informal sector. The "Post-Modern Welfare State" outlined by Ferge (1996) embodies a number of the basic attributes of the new institutional framework for social protection. However, the "post-modern" emblem has been tagged to so many social phenomena – music, architecture, literature, philosophy – with various meanings, that applying it to the changing character of the welfare state adds little clarity to this process. The post-modern sensibility is associated with questioning the positivistic formulations of objective reality – for example, emphasizing the fervently subjective interpretations of literary deconstruction – which forms a curious mix with the staunchly objective, what Weber (1964) termed "formal," rationality of market-oriented profit-loss calculations that is coming to dominate social welfare policy. The "Third Way," another nebulous formulation, has been used by the British Prime Minister (Blair, 1998) to describe the current path of welfare reform, which treads between the dismantling of welfare in favor of individualistic provisions and the continuation of collectivist welfare policies. This phrase is reminiscent of the "Middle Way," Marquis Childs' (1936) popular depiction of the early stages of the Swedish Welfare State.

Finally, there is the "Enabling State," a term that has been used to illustrate the essential character of change in the U.S. and England, which rests on the tenet of public support for private responsibility, where "private" responsibility includes individuals, the market, and voluntary organizations. (Wattenberg, 1993; Marshall and Schram, 1993; Evandrou, Falkingham, and Glennerster, 1990; Gilbert and Gilbert, 1989; Gilbert, 1995). Building on this principle, social welfare arrangements are increasingly designed to enable people to work and to enable the market and the voluntary sector to assume an expanded role in providing for social protection. This conception of the "Enabling State" transmits a somewhat broader picture of the role of government in the emerging framework for social protection than the uni-dimensional alternatives and a clearer sense of the direction of change than the Mixed Economy model. Hence, among these options, I have selected the "Enabling State" to represent the emerging paradigm for social protection. Whether or not this nomenclature sticks (there are ideological and sentimental reasons to cling to old labels, as well as political reasons to choose new ones that evoke, perhaps, a more dubious image), in practice the welfare state as we knew it is being replaced in many nations by new arrangements under which social provisions are transferred via work incentives, tax benefits, purchase of service contracts, and other measures designed to offer public support for private responsibility. Let us see how and why this has come about.

Tides of Change: A Theoretical Perspective

Among the various accounts of the rise of the modern welfare state, much of the theory and research is concentrated along two apparently competing lines of analysis, which emphasize convergence and divergence (VanVoorhis, 1998). Simply put, "convergence theory" posits that there are certain structural determinants of the welfare state, such as economic growth, industrialization, and demographic shifts. Responding to these structural forces, countries tend to converge in the sense that they increase public expenditure to develop broadly similar institutional designs to perform the functions of social protection previously rendered by the extended family, church, and feudal traditions; the new arrangements include similar schemes such as public assistance for the poor and social security for the elderly. This line of analysis stems from theoretical works that examine the relations between the rise of industrial society and the development of social welfare benefits and social rights (Wilensky and Lebeaux 1957; T.H. Marshll 1964).

Building on the theoretical foundations, a series of comparative studies followed, which empirically explored the links between level of economic growth, demographic change, and social security spending; the results from many of these studies generally supported the underlying thesis of convergence (Cutright, 1965; Pryor, 1968; Verner, 1979; Aaron, 1967; Wilensky, 1975; Williamson and Fleming, 1979; Coughlin and Armour, 1983). Analyzing patterns of social welfare policy development in Sweden, Norway, Germany, and the U.K. from 1960 to 1993, Kangas (1994) finds that countries which often have been described as representing different welfare state models at one point in time show distinct signs of convergence when analyzed from a longitudinal perspective. He concludes that "much of what is happening is structural," although politics will eventually influence how countries respond to structural problems. At the same time, a number of empirical studies generated findings that challenged the soundness and utility of convergence theory. Some of these studies found no relationship between levels of industrial development and timing of the adoption of social insurance programs (Flora and Alber, 1981; Collier and Messick, 1975). Other studies detected evidence of divergence rather than convergence between levels of economic development and social security expenditures (Castles, 1982; Taira and Kilby, 1969). And several questions have been raised about the assumptions underlying the conceptualization and measurement of social expenditure. The assumption that countries which spent the highest proportion of their GDP on social welfare were leaders, and those which did not were laggards, was seen as particularly problematic in the absence of measures to control for the extent of social need and tax effort (Gilbert and Moon, 1988). More generally, convergence theory has drawn criticism for attributing the development of welfare states essentially to impersonal social forces, ignoring the role of human intervention.

In contrast, those who emphasize divergence argue that what appear at a high level of abstraction as broadly similar institutional arrangements for social protection, on closer inspection actually represent different types of welfare states, fashioned by human hands. Here the analytic perspective focuses less on the structural determinants and more on the clash of group interests and the processes of political mobilization that shape the development of distinct welfare state regimes. One strand of socio-political analysis models the welfare state as a continuous compromise in the ongoing class struggle between workers and capitalists in democratic societies. Basing its strength in numbers, organized labor mobilizes political power through the democratic process to offset the economic power exercised by capitalists — thereby extracting concessions on the distribution of resources in society (Korpi, 1980, 1983; Stephens, 1979). A number of comparative studies find that countries with the most powerful unions and strongest or longest ruling social democratic parties have the highest rates of social expenditure (Stephens, 1979; Castles, 1982; Schmidt, 1983; Myles, 1989). The corpus of empirical evidence was advanced in Esping-Andersen's (1990) influential work, which identified three distinct welfare state regimes — liberal, corporatist, and social democratic — based on quantitative measures of social policy measures in 18 advanced industrialized nations. These regimes, however, sometimes overlap on important dimensions; Esping-Andersen's decommodification scale, for instance, reveals a greater range of scores within some regimes than between them. Other scholars find the three-regime model in need of refinement. Castles and Mitchell (1990) propose four types of regimes: conservative, social democratic, liberal, and radical welfare states. Ferrera (1994) and others argue that the "Southern Mode," which includes Italy, Spain, Greece, and Portugal, constitutes a fourth regime (Leibfried, 1992).

A second strand of socio-political analysis focuses not so much on class struggle as on the influences of government officials, public bureaucracies, and interest-group demands (Skocpol, 1979, 1985; Nordlinger, 1981; DeSwann 1988). The Public Choice school of thought, a major source of discourse from this perspective, suggests that public spending on the development of welfare states tends to spin out of control because the actors involved are motivated by narrow self-interest (Buchanan, 1975, 1977; Mueller, 1979). This thinking is informed by several propositions: a) special interest groups (organized around, for example, gender, ethnicity, disability, occupational associations, sexual orientation, age, veteran status, forms of victimization, as well as industrial lobbies) have a strong incentive to pressure government to provide goods and services for their members, since the benefits will be concentrated on the group and the costs are spread out over all taxpayers; b) driven by self-interest, politicians have a strong incentive to cater to the demands of these organized groups, currying favor for the next election; c) special interest groups have little incentive to oppose the demands of other interest groups because with the cost of one group's benefits spread among all taxpayers, for any given concession the net amount charged to other groups' members is too small to get excited about; and d) operating outside the constraints of competition and profits, self-interested bureaucratic officials seek to expand their power base by increasing public expenditures on the programs under their control. Although the reduction of U.S. federal discretionary spending in the 1990s has constrained the politicians' scope to dispense benefits to interest groups funded with tax dollars or through deficit financing, Nivola (1998) suggests that the concessions have shifted to expand what he labels "social regulatory pork," – the use of government regulatory measures and special preferences to benefit some interest groups at the expense of other people, creating what amount to social transfers off the budget books.

A number of studies dispute or qualify the propositions advanced by the Public Choice school concerning the strength and utility maximizing behavior of politicians, bureaucratic officials, and voters (e.g., Kalt and Zuppan, 1984; Korpi, 1989; Marwell and Ames, 1981). Summing up the counter-evidence, Etzioni (1988) maintains that "Public Choice is but an extreme example of a neoclassical theory that finds little support in the facts, and is widely contradicted, precisely because it does not tolerate moral factors as a significant, distinct, explanatory, and predicting factor."

Finally, in comparing the two major lines of analysis it should be noted that although many studies tend to emphasize trends toward either convergence or divergence, the authors often recognize that both structural forces and socio-political processes have shaped the development of welfare states (e.g., Wilensky, 1975; Therborn, 1987; Wong and Daley, 1990). And in some cases, efforts are made to integrate the structural and socio-political perspectives. Overbye (1994), for example, develops an inventive model that joins the utility maximizing behavior of Public Choice with the structural influences of industrialization to illustrate convergence toward a dual public pension structure that provides contribution-based earnings-related pensions to the working population and tax-financed means-tested pension supplements to those only marginally connected to the labor force.

Do welfare states converge under the pressures of broad impersonal structural forces or diverge in response to human interventions shaped by socio-political factors in different countries? Viewed from a distance, these apparently competing lines of analysis can be united to offer a coherent metaphor for the development of modern welfare states and the transformation currently underway. Imagine the advanced industrial nations as ships of the welfare state afloat on a large bay at ebb tide. As the tide recedes they are all pulled in the same direction – converging toward the mouth of the bay – by the powerful impersonal forces of nature. However these ships of state are not thoroughly adrift on tides of change; they are democratically manned by elected leaders who weigh the passengers' interests and preferences, along with the crews advice, in deciding on the destination toward which to steer as they approach the widening mouth of the bay. Moving in roughly the same direction, away from shore, but not toward exactly the same final destination, some of the ships form small clusters that sail along on similar headings and others chart independent courses. Thus, the modern welfare states expanded and headed off in various directions as they rode the ebb tide of economic development from the early 1960s to the late 1980s. But the tide has changed. As the 1990s come to a close, the ships of the welfare state are being drawn back into the bay by a flood tide of new structural pressures and contemporary socio-political forces, which are constricting maneuverability and transforming the conventional arrangements for social welfare.

The initial convergence began to gain momentum in 1960 as welfare state expenditures were poised for an historic takeoff in almost every Western democracy. At about that time, Daniel Bell (1960) declared that capitalist societies had arrived at the "end of ideology," in part because of political compromises that included a rough consensus on the acceptance of the welfare state. In the same vein, Gunnar Myrdal (1960) saw the internal political debates in advanced welfare states as "becoming increasingly technical in character, ever more concerned with detailed arrangements, and less involved with broad issues, since those are slowly disappearing." Regarding the role of government, he thought that "all private enterprises in the advanced Welfare State are already in essential respects publicly controlled or are becoming so – without nationalization." And he also thought it possible that in the welfare state of the future, "public ownership and public management will come to play a somewhat larger role, perhaps in the very long run, a much larger one." Myrdal (1960) was so convinced of the harmony created by welfare state programs that much of his analysis in *Beyond the Welfare State* was addressed to the need for building a "welfare world."

The views expressed by Myrdal and Bell in the 1960s reflected the spirit of the times. It is fair to say that, despite occasional criticism, during this period the value of social welfare schemes financed and produced by the state was largely taken for granted as a useful corrective for the vicissitudes of the market economy. Riding on a tide of public approval, these schemes expanded in political environments that rarely questioned the mission and function of the welfare state. Indeed, from 1960 to the mid-1970s public expenditure on social welfare measures advanced at an historic rate among 21 member nations of the OECD, rising from an average of 12.3 percent of Gross Domestic Product (GDP) in 1960 to 21.9 percent of GDP in 1975 (OECD, 1988). All this changed in the wake of the oil crises that hit the world economy in 1974 and 1979.

Since the late 1970s the rate of public social expenditure has leveled off and social welfare arrangements have come under increasing criticism. Rather than being seen as a solution to the insecurities of capitalism, social welfare measures increasingly have been cast as part of the very problem they were designed to solve. Critics claim that the welfare state promises more than can be delivered without creating deleterious effects on the market economy by undermining incentives, hampering competitiveness, inhibiting savings, and increasing national debt (Murray, 1984, Mead, 1986, World Bank, 1994, Shower, 1977).

Although financial strains from the 1970s oil crises began to check the rise in social expenditure, the mounting challenge to the welfare state has been fueled by a broader combination of four social and economic forces. The two economic forces stem from structural changes related to demographic trends and world market realignments of production and distribution, which create conditions that pose fiscal constraints on social spending. The social forces emanate from the normative realm of ideas and values, which shape conventional approaches to social welfare policy. As suggested below, these four lines of influence have converged to drive policies beyond the welfare state toward a new paradigm of social protection – in directions that Myrdal's earlier forecasts did not anticipate.

Social and Economic Forces Driving the Transformation of Social Welfare

First, in the realm of structural change, immense fiscal pressures are projected in response to the interaction of mature social security systems with socio-demographic trends. In most OECD countries, for example, between 1960 and 2040 the proportion of people over age 65 is expected to more than double, from an average of 9.7 to 22.2 percent of their populations, with about half of those elderly over age 75 (OECD, 1988). At the same time that life expectancy increased the average age of retirement declined. In the United States, for example, men and women retired on the average at age 63.5 in 1991, about five years earlier than the average retirement age in 1940. With social security entitlements widely available, the rising number of elderly will exact an increasing level of public spending for retirement, health services, and social care. In the U.S., recent estimates indicate that the cost of Old Age, Survivors, and Disability Insurance (OASDI) will begin to exceed revenues from OASDI contributions by the year 2012 – with the cumulated reserves and interest within the OASDI Trust Funds exhausted by the year 2029 (Boards of Trustees of the Social Security and Medicare Trust Funds, 1996). To insure the program's fiscal integrity will require eventually raising the tax rate, cutting benefits, or some combination of both (Steurle and Bakija, 1994). European old age pension systems face similar burdens. In France there are currently three workers contributing for every person drawing a pension; recent projections indicate that by 2030 this support ratio will drop almost 50 percent to 1.6 contributors for each retiree (Whitney, 1997).

Rising costs associated with the aging of the population are compounded by other demographic trends. The proliferation of two-income households, at the same time that extra-marital births and divorce rates are at record heights, have reduced the modern family's capacity to provide in-person care for its dependent members – what Fargion (1997) terms the "defamilization" of traditional family responsibilities – as the care of children, elderly, and other infirm relatives is increasingly assumed by the state. This development creates new demands for child care, financial assistance, and other supportive services. These changes in the age of populations and family structures emerging since the 1960s are so large-scale as to constitute what some label a “second demographic transition” (Lesthaeghe, 1995). Overall, the near future forecasts reveal a period of socio-demographic change that, as Cantillon (1990) observes, “give rise to new needs and eliminate practically no previous ones.”

The second structural change involves what many characterize as a new stage in the development of world capitalism – the globalization of the economy. (This advanced period of capitalism is also referred to as post-modernity (Leonard, 1997) or post-Fordism (Jessop, 1994) and sometimes includes new information technologies and mass cultural consumption.) The increased mobility of capital has intensified global competition, with formidable implications for nation states and social security policies. Although the policies of industrialized nation states have always been somewhat attentive to the demands of international markets, the strength of local and national markets allowed for the pursuit of independent national economic policies. In recent times, however, capital mobility has intensified the pressures of the global market on local and national markets to a point that national policy makers are increasingly constrained “by the tightening grip of the economic, as distinct from the political, limits, to what government can do” (McKenzie, 1996).

Analyses of globalization tend to focus on how state action is being disciplined and social welfare schemes squeezed by the mobility of capital to go where production cost are low. Thus, for example, McKenzie (1996) counsels that public spending on redistributive social benefits should be contemplated with the utmost of care. “Otherwise, officials and policy makers can expect to find their fiscal troubles mounting as capital moves elsewhere or is created elsewhere in the world. Those who are concerned about the plight of the poor must realize that there are economic limits to how much society can do for the poor, given the mobility of capital” (McKenzie, 1996).

But while competitive discipline imposed by the global economy builds pressure on nations to suppress public spending on social benefits, a counter-force of increasing demand is being exerted by the rising tide of immigration – another aspect of globalization. Technological advancements and political alignments have not only expedited the mobility of capital, but also provided new highways for the movement of labor. Just as capital can go to where standards of living, social benefits, and labor costs are low, labor is more and more able to move to where standards of living, wages, and social benefits are high. In 1992, for example, 10.6 million inhabitants of the European Union were nationals of non-EU member states and an additional 5 million nationals of the EU were living in other then their member states (Bolderson and Roberts, 1997). Facilitated by both the advent of the European Union and the dissolution of the Soviet Union, the accelerating mobility of labor has heightened demands for social provisions as new immigrants arrive seeking their fortunes in the lands of opportunity (and generous social welfare benefits).

In the realm of ideas and knowledge, normative views are being reformulated by the weight of accumulated experience gained during the recent decades of welfare state growth. This experience lends credence to the charge that some social welfare provisions have inadvertently created disincentives to work. Thus, for example, an OECD (1991a) report on the Netherlands finds "clear indications that the generosity of social benefits and high effective marginal tax rates implicit in income-dependent subsidies create strong disincentives to work and underlie the exceptionally high dependency ratio in the Netherlands, where one employed person supports almost one person on social benefits." To combat what they had labeled as the "Dutch Disease," the government initiated corrective measures, such the Reduction Requirement on Industrial Disability Act of 1993, which introduces a stricter medical evaluation of disability and a reduction of benefits over time (Ariens, 1997). Most recently, under the 1996 reform of the Dutch Social Assistance Act single mothers are now expected to become active in the labor market when their children reach the age of five (van der Veen and Trommel, 1997).

The Dutch experience is not unique. From the Revenu Minimum d'Insertion in France to the Newstart program in Australia, over the last decade socio-political deliberations in the industrialized welfare states have produced legislative reforms designed to activate the beneficiaries of disability insurance, unemployment insurance, and social assistance (Collins, 1990; Kalisch, 1991; Eardley, et al., 1996). These reforms have injected programs that offered "passive" income supports with an array of sanctions and incentives designed to promote labor force participation and other active contributions to the community. This approach to social policy comes largely in response to the increasing acceptance of the potential for social welfare provisions to produce "poverty traps" or "enforced dependency" (OECD, 1988; Bradshaw and Millar, 1990; Euzeby, 1988). One report goes so far as to say that "dependency traps are an unintended outcome of most social security systems" (OECD, 1991b). Even in Sweden, in the early 1990s, Prime Minister Carl Bildt told the press that "if you look at the levels of benefits, they had become so high that they reduced the incentives to work" (Stevenson, 1993). Indeed, agreement on the disincentive effects of some social benefits is so widespread as to have achieved the normative status of conventional wisdom.

Finally, normative views about the proper relationship between the state and the market have undergone a significant conversion as the collapse of command-economies in Russia and Eastern Europe has raised to record levels the stock of capitalism's public acceptance in the marketplace of ideas. Writing in 1942, Joseph Schumpeter found that the public mind had grown so entirely "out of humor" with capitalism "as to make condemnation of [it] and all its works a foregone conclusion – almost a requirement of the etiquette of discussion." Today, the tides have turned to such as extent that, as Fukuyama (1995:17) sees it, "the totality of the intellectual victory of free market economic theory in recent years has been accompanied by a considerable degree of hubris." He argues that, although markets are efficient allocations of resources there is more to the creation of prosperity than factors such as competition and self interest, featured in the neo-classical model. In particular, Fukuyama's analysis draws attention to the significance of social factors such as trust and the ability to cooperate.

Whatever its shortcomings, however, ascendancy of the neo-classical model and renewed public faith in the virtues of the private sector have impelled social welfare transactions to adopt the values and methods of the market economy. The results are most evident in the widely documented movement toward privatization of many social welfare functions, which started in the 1980s (Kahn and Kammerman, 1989; Gilbert, 1983; Abramovitz, 1986; Johnson, 1995). Indeed, most recently privatization almost swept the field in Texas when corporate giants such as Anderson Consulting and Lockheed Martin lined up for competitive bidding on a contract to manage the state's entire welfare operation, budgeted at over half a billion dollars annually. Although the all-encompassing plan was denied federal approval (because the determination of eligibility for benefits must be done by public sector employees), the state has been authorized to contract with private firms to perform all the other operations that do not involve enrollment into the system. After more than a decade of privatization under Margaret Thatcher, a defining moment for the left recently arrived in England with Tony Blair's pronouncement that the new Labor Party is no longer entirely opposed to privatization of government activities.

Without much fanfare, in a number of countries old age pensions are marching on a steady course of incremental privatization. In the U.S., between 1976 and

1992 retirement benefits from employee pensions increased from 25 to 33 percent of the total received by the elderly from employee plans and federal social security payments (Park and Gilbert, 1998). The U.S. experience tracks that of private pensions in some of the more generous Nordic welfare states. In Denmark, for example, between 1980 and 1992 private pension expenditure jumped from 20 to 30 percent of the total share of public and private pensions. After 1985, the share of private pensions also increased in Norway, albeit at a slower pace. According to Pedersen (1997) the introduction of a second tier of income-related public pensions in Norway helps to account for the "relative containment" of private schemes compared to Denmark, where a second public tier did not develop. Overall, the normative shift in favor of the private sector is accompanied by an infusion of the capitalist ethos into the realm of social protection, as contemporary social policies are increasingly oriented toward creating market and quasi-market conditions to stimulate competition in service delivery and introducing sanctions and incentives to promote the work ethic.

What lends particular weight to the social and economic forces outlined above is that they all press in the same direction, away from that of the conventional welfare state model based on government delivery of an expanding range of social benefits under a system of broad-based entitlements. The U.S. is probably furthest along the course that has veered away from social rights to welfare and toward social responsibilities to work, cost containment, and privatization. Here the movement for change is sustained by a remarkable convergence of liberal and conservative opinion that work incentives are necessary, that some degree of privatization is desirable, and that the projected levels of welfare state cost are unsustainable (Lepage, 1997). Many of the European welfare states are moving in this direction at varying paces, though somewhat hesitant to embrace the course of change underway. Thus, an OECD (1988) report suggests that "within a framework that respects individual rights some form of training could be made a mandatory part of any income support package." The report does not indicate how "mandatory" training can be squared with an individual's "right" to income support if the individual is unable or refuses to attend the training program. Another OECD (1991b) report advises that "without calling into question its central tenets, the welfare system should be refocused and made less generous in terms of eligibility and benefits." But if designs for eligibility and benefits – who gets what– are not among the central tenets of the welfare system, what is left?

The Emerging Paradigm

To submit that a shift is underway in the welfare state paradigm is not to suggest the end of social welfare programs. No one imagines that social security, health insurance, disability benefits, public assistance, unemployment insurance, day care, and the rest will be jettisoned. But the social policy environment in which they evolve will be constrained by a set of demographic and market conditions, and informed by normative assumptions that are fundamentally different than those underlying the development of social welfare programs through the early 1980s. These structural conditions and social norms give rise to a new institutional framework that subordinates social welfare policies to economic considerations, such as the need for labor market flexibility, the opening of new markets for the private sector, the pressures of international competition, and the imposition of limits on deficit spending. Within this new framework, social welfare policies are increasingly designed to enable more people to work and to enable the private sector to expand its sphere of activity.

As previously noted, the governing principle of this approach to social protection may be summed up in the phrase "public support for private responsibility." But concerns for private effort and responsibility by citizens and non-governmental organizations are embedded in a larger foundation of ideas and preferences, which differentiate the Enabling State from the conventional Welfare State paradigm. As an alternative paradigm, the central tendencies of the Enabling State differ from those of the Welfare State on a range of variables that inform the policies and mission of social protection as illustrated in Table 1.

The picture that emerges from these inter-connected variables is admittedly still sketchy and incomplete. But the variables weave a pattern of change encompassing four broad processes related to *privatization, public expenditures, employment, and social cohesion* – which I would offer, in the Weberian spirit, as conceptual cornerstones of an ideal-type model of the Enabling State. First, in moving from away from in-kind benefits financed and delivered by government toward the subsidization of private activity, the Enabling State advances a market-oriented approach to social welfare along several avenues. The most obvious and direct line involves financing the private delivery of social welfare goods and services through purchase-of-service contracts. The Enabling State also propagates policies that encourage private enterprise to finance social welfare provisions through partial subsidies, as in the tax exempt treatment afforded certain fringe benefits of employment. At the same time, when the choice is available, the market-oriented approach favors social welfare transfers in the form of cash and vouchers over in-kind provisions; cash and vouchers stimulate market provisions not through government contracts, but directly from the individual recipients who are empowered to exercise consumer sovereignty and to benefit from competitive market forces.

Second, drawing back from the proliferation of social rights that underwrote the expansion of the Welfare State, policies of the Enabling State seek to tie social rights to obligations, which animates a sense of fairness and social equity at the same time that it encourages the restraint of public expenditures. Privatization is also regarded as a measure that contributes to the reduction of public expenditure, on the assumption that the private sector performs more efficiently and is hence less costly than the public sector. The increasing use of tax expenditures to finance social welfare benefits indirectly, such as child care credits and the earned income tax credit in the U.S., is another policy mechanism that restricts the amount of direct government expenditure (but more by shifting social transfers through tax rebates than by reducing their size). One of the strongest checks on public expenditures for social welfare is exercised through the use of targeting eligibility, which involves allocating benefits on the bases of criteria that seek to

Table 1 Shift in Central Tendencies from Welfare to Enabling State

Welfare State	⇒	Enabling State
Expanding social rights	⇒	Linking rights to obligations
Focus on direct expenditures	⇒	Increasing indirect expenditures
Transfers in the form of service	⇒	Transfers in cash or vouchers
Delivery by public agencies	⇒	Delivery by private agencies
Social provisions for consumption	⇒	Social provisions for investment
Reducing economic inequality	⇒	Restoring social equity
Social Support	⇒	Social inclusion
Universal entitlement	⇒	Selective targeting
Unconstrained benefits	⇒	Use of incentives and sanctions
Decommodification of labor	⇒	Recommodification of labor

identify the most needy and the most deserving, rather than to all citizens as a universal right. To help determine those who are most deserving, certain benefits are increasingly linked through incentives and sanctions to behavioral requisites, such as accepting work, performing community service, and attending training sessions and clinics.

Third, policies designed for the Enabling State place less emphasis than the Welfare State on providing social support, and more on fostering social inclusion, particularly as it is manifested through active participation in the labor force. Although social inclusion involves helping people to participate in the mainstream of community life through various measures, which encompass education, deinstitutionalization and voluntary service, paid employment is a major, if not the central, concern. The heightened emphasis on employment-related measures in the Enabling State has been accompanied by the development of social provisions aimed to enhance human capital and to help the unemployed adjust to modern labor market requirements. Unemployment compensation, for example, is increasingly linked to work incentives or repackaged to incorporate provisions such as grants for travel expenses incurred in search of work and lump sum allocations to help the unemployed finance new enterprises. In support of this development Euzeby (1988) suggests that unemployment insurance should stress provisions that facilitate reintegration into the labor force and that "payments of benefits to the unemployed in the form of cash should be considered as a last resort." By providing a source of income outside of market exchanges, welfare benefits in the form of cash, in the past, have contributed to the decommodification of labor – making it less like a commodity bought and sold purely in response to market forces. To the extent that social welfare benefits are now tied to incentives and packaged in ways that increase the compulsion to work in order to meet one's basic needs, the recent policy reforms can be said to promote the recommodification of labor.

Finally, the movement toward privatization, the reduction of public spending, and the intensified efforts to encourage employment impact the character of social cohesion bred by social welfare. That is, in the transition to the Enabling State, the basis of social cohesion is being converted from the broad affiliations of citizenship to the more circumscribed affiliations of group membership. As the promotion of private activity and the tightening of public expenditure delimit the state's role in the provision of social welfare, and as heightened demands are made on individuals to work and be independent, the grounds for social cohesion are shifting away from the state and toward the private market and civil society, composed of voluntary organizations and informal networks of family and friends. This development could be described in reference to the different levels and mechanisms of solidarity illustrated in the classic works of the British sociologist T. H. Marshall and the French sociologist Emile Durkheim.

According to T.H. Marshall (1965) the status of citizenship endows residents of a nation with social rights "to a modicum of economic welfare and security," which reinforce a sense of affiliation to the larger polity. In contrast, Durkheim (1933) was interested in the formation of secondary groups, which created a sense of solidarity based on the social and moral homogeneity of their members. In his view, "where the State is the only environment in which men can live communal lives, they inevitably lose contact, become detached, and society disintegrates. A nation can be maintained only if between the State and the individual, there is intercalated a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action and drag them in this way into the general torrent of social life." While the dilution of social rights to welfare frays one of the unifying strands that connects the individual and the state, the transfer of social welfare functions to private enterprise and civil society thickens the social glue of secondary group affiliations – shifting the basis of social cohesion from "Marshallian citizenship" to "Durkheimian membership."

On all of the variables in Table 1, of course, there are areas of overlap between the Welfare State and the Enabling State. Both dispense social rights through transfers in the form of cash and services, which are financed by direct and indirect expenditures and delivered through public and private vehicles; both forge social policies that include welfare benefits for consumption and investment, which seek to achieve varying degrees of equality and equity. But on each of the variables the central tendencies advanced by the Welfare State and the Enabling State point in different directions. The Enabling State does not yet exist in a pure form. Just as there have been different types of Welfare States, variations within the basic pattern of the Enabling State are likely to emerge. Even in the United States, where the system of social protection has most evolved in this direction, many social policies do not coincide with those that would be derived from the variables noted above (Gilbert, 1995). However, for the foreseeable future, the social and economic forces that have activated the transformation of social welfare will continue to press upon most advanced industrialized nations and to reshape social policies to conform with a new paradigm for social protection.

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