

Chapter 48: The Global Future of Welfare States¹

Ian Gough

Göran Therborn

Introduction

The title ‘The Global Future of the welfare State’ suggests two separate but equally big questions. First, will Western forms of welfare state be reproduced elsewhere in the world? Second, is the Western welfare state globally sustainable in the face of a series of unprecedented challenges, notably climate change and the emerging crisis of financial capitalism? Given the confines of word length and the scope of these two questions, we have decided to focus on the first; but will return to the second question at the end.

The Welfare State in a Global Historical Context

A global approach to social policy, welfare states, and their futures cannot be simply an add-on to the conventional Euro- or OECD-centric approach with its particular institutional gaze and incessantly researched repertoire of models and variations. Without here being able to dig into history, we need to establish a historical and global perspective.

A political responsibility for the well-being of a state’s population is not a European invention. It is found in all the major ethico-religious traditions of Asia, for instance, from the Rig-Veda and Confucius to Islam (see, e.g., Mabbett 1985). Relief from hunger and indigence, dispensation of justice, protection of comfort and prosperity were normatively expected. Crop failures and other national disasters were often interpreted as indicators of misrule. Institutions of charity, food buffer stocks, quarantines, flood control and so on developed long before modern times.

Nevertheless, it remains true, of course, that the welfare state in its recent meaning is a European invention, which exists outside Europe only to a limited extent, less extensive even in the European offshoot settlements. The very concept emerged in World War II Britain and

¹ Ian Gough gratefully acknowledges the support of the Economic and Social Research Council. Much of his contribution was undertaken as part of the programme of the ESRC Research Group on Wellbeing in Developing Countries.

gained international currency, to begin with in academic circles, only in the 1970s. Why was that the case, and, above all, what does that imply for the future?

Europe's world conquest in the sixteenth through nineteenth centuries took place in a context of decay and division in virtually all the great extra-European states, from the Amerindian Aztecs and Incas, to the Mughal and Ottoman empires, from Qing China to the savannah states of Africa. In that period of decline and disintegration the classical extra-European political precepts of the well-being of the population lost their material bearings and supports.

There was virtually nothing indicating a special European welfare state development in 1500, 1600, 1700, or in 1800. But in retrospect it is possible to identify at least two significant facilitating factors, though these are by no means sufficient. One was the unique Western European family system, with a nuclear, neo-local household as its core, which meant weaker kinship ties and responsibilities than in other parts of the world, and which gave more space and importance to occupational associations as well to territorial organizations, villages, cities and states (Therborn 2004). The other was the conception of rights, coming out of Roman law and reinforced by the canonical law of the Catholic Christian Church, from which notions of natural law developed in early modernity. Rights took concerns with the well-being of the population out of lordly benevolence or religious charity, and the administration of justice into areas of popular claims and of new institutions.

The subsequent development of Western welfare states has spawned an immense scholarly apparatus, ably synthesised in this volume. Gough has summarised this work in terms of five drivers of modern welfare states, the 'five I's': Industrialization, Interests, Institutions, Ideas/Ideologies, and International Influences (see Gough 2008 for detailed arguments and citations). Let us briefly recap these.

The bases of European welfare state development were two: new social challenges and new resources to meet them. *Industrial capitalism* produced both. It tore apart the social patterns of minimal protection of the subsistence family, the village, and the guilds, and it brought together large numbers of men and women outside traditional tutelage, in factories and new cities, creating and incessantly increasing the challenges of social disintegration and of social protest. At the same time, industrial economic growth, and the new medical and scientific knowledge associated with it in European modernity, provided novel resources to deal with poverty, disease, and death.

In the new societies of industrial capitalism, two powerful and opposite *interests* converged in generating public social policies. There was the interest of the industrial proletariat in at least some minimally adequate housing and social amenities in the new industrial cities, and in acquiring some kind of security in cases of injury, sickness, unemployment, old age. That interest was soon organized, in trade unions, mutual aid societies and labour-based parties. On the other side of the fence, there was the interest of political elites in social order and the

quality of the population, more often out of concern with soldier material than for productivity. The French revolutions of 1789, 1830, 1848, and 1870-71 meant that elite interest in making efforts to prevent disorder and rebellion was quite rational. The immediate background to the landmark German social insurance legislation of the 1880s was the Paris Commune of 1871, which a key adviser of Bismarck witnessed close by, with the invading Prussian troops.

Institutions turned challenges, resources, and interests into consolidated, self-reproducing realities. The welfare state is part of a longer-term process by which power is accumulated in nation states by building state capacities, collecting taxes and constructing citizenship. The French Revolution was the first to launch a major programme of social rights and policy, but it was never institutionalized. The European welfare state emerged out of the coalescence of the bureaucratic *Rechtsstaat* (state of public law) and insurance, prompted by the fear of workers' rebellion and with a view to nation-state strengthening and development. This happened in recently unified Germany, setting an example for the rest Europe, as a trigger of initiative rather than as a model to copy exactly.

In addition *ideas* influence public policies as human practices (putting to one side whether they are considered major autonomous forces or as derivable from large social processes and the interests generated by these). Formative ideas behind the emergence and development of European welfare states included the European rights tradition, the ancient civic Republican tradition modernized into two major branches, British social Liberalism and French post-revolutionary Republicanism, Social Democracy and social Catholicism. Later inputs have come from Keynesian economics and post-Keynesian economic theories of 'human capital' and 'productive social policy'.

Finally, the *international environment* must be considered. European welfare state development first got a push from the fact that its institutional pioneer, Germany, was the strongest, most dynamic, fastest growing country on the continent. The early period was also one of war, never far from the horizon, between national mass conscript armies. No serious big power politician in Europe could afford to be indifferent to the lives and loyalties of his future soldiers. The outcome of World War II popularized the 'welfare state' idea, of British wartime coinage, and the Beveridge Report became for a short while a new European model. But British influence soon dwindled, along with empire and big power status. Though the United States was the new lodestar, admiration for and dependence on America never significantly affected European welfare state development (until perhaps the Clinton attack on social assistance). The immediate reason was institutionalization and policy path dependence. The European social mould had been set. For fear of Communism, United States leaders refrained from trying to impose their own model of capitalism on Western Europe; rather they were supportive of attempts at European integration and at sustaining Western European institutions. Marshall Aid had none of the conditionalities of the later IMF-World

Bank ‘structural adjustment programmes’. Western welfare states flourished in a supportive international environment: of a West-dominated capitalism, with little low-wage competition and nationally governed currencies and capital flows.

What clinched the rise of the European welfare state to its present size was the post-war boom. The question raised in the 1950s – does an emerging ‘affluent society’ need a welfare state, or is it only now that we can really afford the extensive social policy we need? - was definitely answered in the latter way. Again Germany was the leader, installing a new dynamic pension system, as a support of a policy of Western alliance rearmament.

Lesson from the emergence of European welfare states

Will European forms of welfare state be reproduced elsewhere in the world? Will individual risks continue to be collectively managed, or left to lie where they fall? If the former, will the forms of collective management of risk follow Western models, or develop in quite novel ways? We tackle these questions in two parts. First, we use the above five-part model to ask what lessons, if any, it has for the likely emergence of welfare states in the developing world. Second, we recognise the immense variety within the ‘global South’ and distinguish distinctive patterns of risk management within it.

Industrialisation and post-industrialism: economic and social conditions and change

Is the new tide of global industrialization and growth in the late twentieth-early twenty-first century fostering new state social programmes? Industrialization explanations are likely to remain relevant in the newly emerging ‘workshops of the world’, particularly in Asia. But even in these successful industrialisers the growing secondary sector is combined with far larger tertiary and primary sectors than were European societies in the late 19th and early 20th centuries - with implications for growth, taxation, labour market security and the applicability of the European social insurance model.

In fact, the European experience of post-agrarian societies dominated, at least relatively, by industrial employment was never repeated outside Europe, not in the United States, not in Japan, nor in the British White Dominions. Third World urban employment today is largely in the so-called informal sector – overwhelming in South Asia and Africa, big and growing in Latin America – of self-employment and tiny enterprises below the radar of the state and of social entitlements. Under these circumstances, big industry employment became enclaves of particularistic social rights, once rather extensive in urban Maoist China, but still islands in a rural sea, of basic social services – largely eroded during the capitalist turn - but without pension rights, for instance.

And most of the non-Western world has never experienced the long post-war booms interspersed, until now, with only mild recessions. Plummeting commodity markets, financial

crises, and demographically overburdened stagnations have haunted it most of the time. The more successful exceptions, like Japan and later South Korea, have witnessed burgeoning social policies, but still far from European levels, even in Japan. It is true that an unprecedented demographic transition is underway across much of the world, which suggests dramatic new 'requirements' for schools, pensions and health services. Yet the role of families and households in attempting to mitigate risk and secure welfare is also far more extensive in the developing than in the developed world. All these factors complicate any simple transposition of lessons from European industrialisation to the developing world.

Interests

Both the interests of social rights and the interests of social fear are weaker outside Europe. The interests of rights are weaker because societies are much more fragmented: between urban and rural areas, within large agrarian sectors (between labourers and peasants), and within urban areas, between formal and informal employment. On some exceptional occasions progressive coalitions may arise, as in the making of the far-reaching constitutions of Brazil and South Africa, in 1988 and 1994, respectively, or in the late 1980s democratic movement in South Korea. But such coalescence of interests has been difficult, more or less impossible, to sustain in consistent policies and institutions.

In the zones of global accumulation, notably East Asia and now South Asia, proletarianization proceeds at breakneck speed, and has fostered unofficial trade unions and militant class struggle in uneven ways. In such countries, one might predict growing class pressures for minimal economic security and an improved 'social wage'. One might further expect the classic European 'social insurance dynamic' (Hort and Kuhnle 2000): social insurance beginning with groups of manual and factory workers in large industrial firms, gradually rippling outwards to include medium and small enterprises, agricultural, white-collar and other workers. However, this lesson is not applicable where capitalist development is not accompanied by proletarianization, and not necessarily where it is. The labour movement is weak almost everywhere in the developing world, squeezed between repression and deregulation. The growing structural power of capital and its willingness to exert agency power also contributes a bias against comprehensive welfare systems.

The interests of social fear have naturally also been weaker, partly because of fragmented rights. The distinctive features of the non-European roads to modernity also have to be kept in mind. Modern Europe was never threatened by non-European powers, never driven by a desire to catch up with the non-European world. European developers never had to bother with peoples close by who were not part of the people-nation, such as slaves and ex-slaves in the Americas and South Africa. Outside Europe, the major threats to ruling elites have come from without – from superior states and economies - not from within.

Institutions

Institutions have traveled across the world, including the nation-state and social insurance, but nowhere is there a European-type, European-size welfare state in sight outside the old colonialist continent, although the old Dominions of the British Empire are not that far behind. However, the role of welfare systems in extending citizenship as a later phase of state and nation-building in Europe has some parallels in the global South: from the development of social protection policies in the face of the 1930s depression in the Southern Cone of Latin America, to the ambitious plans for welfare states in newly independent ex-colonies such as Sri Lanka and Ghana, to concessionary social programmes to stem revolutionary pressures such as the 1953 Social Insurance Act in the Philippines. There is a need for a more comparative study of these paths, of their very different antecedents, such as Therborn's (1995) 'four roads to modernity' – pioneers, 'settler' countries, colonies, and independent-but-constrained nation states - and of the forms of social citizenship on offer. However, all these cases presuppose state institutions with certain minimal capacities and legitimacy: a welfare state presupposes a reasonably functioning Weberian state. Where states are failed, 'shadow' or collapsed, this cannot happen.

A related question concerns the export of Western-style democracy across the world and its impact on pressures for social programmes. During the Cold War, democracy always took second place to loyalty to the United States in zones of the world deemed critical to Western interests, but since 1990 there has been a substantial spread of at least formal democratic processes. However, research on European social insurance suggests that democratic representation of subordinate classes was not a precondition for state welfare - rather the opposite: it was authoritarian regimes that pioneered social insurance. The Bismarckian strategy has clear parallels, for example, in East Asia where authoritarian leaders have introduced social policies to strengthen national solidarity, secure the loyalty of elites and legitimize undemocratic regimes. The lesson from early European welfare developments is that specific state social policies can be initiated by authoritarian regimes, but that healthy democratization is perhaps a necessary condition to transform these into generous social rights.

Democracy also fostered the clientelistic political machine, initially in the United States – deals whereby citizens trade votes for access to employment and transfers. It was imported into Latin America by Vargas in Brazil and Perón in Argentina, and has taken 'tribal' forms in independent Africa and caste forms in India. Since the democratization in Bangladesh in 1991, new gatekeepers have appeared regulating access to government food aid and other programmes. Villagers must maintain good links with *mastaans* (mafia-style gangs) and/or local party representatives in order to receive essential benefits, but at a price of loyalty, votes and other *quid pro quos* (Devine 2007). There is no simple link between the spread of 'democracy' and the emergence of real social rights.

Ideas

Outside Europe, and its American, Oceanian and South African off-shoots, there is no tradition of civic or popular rights to draw upon. But there are powerful ideas of social justice within Islamic, African and Gandhian cultures, for instance. The emergence of proto-welfare states in East Asia has also prompted the study of the ‘Confucian welfare state’: a ‘fundamentally different orientation to social policy’ to the West and ‘an independent path of welfare state evolution in East Asia’ (Rieger and Leibfried 2003: 261). In late 20th century Latin America, an indigenous transplant of social Catholicism, the Theology of Liberation has played a significant role, in Brazil above all.

Many countries have pursued roads to modernity different from T.H. Marshall’s idea of social citizenship following upon political citizenship. Rather, they have followed a much more central idea of national development, recognised in recent research on the developmental state. This was pioneered by Japan under pressure to catch up with Europe whilst maintaining national cohesion. The Japanese project presupposed a strong, externally threatened but not defeated national culture, capable of overwhelming class conflict.

There have been times when ideas of European social policy have been imported, such as in Uruguay at the time of President Battle in the late 1910s-early 1920s. But the most effective ideological imports have occurred under the auspices of late 20th century neoliberalism, not very conducive to policies of social rights. Since the Pinochet coup in Chile, neoliberal ideas have dominated social policy thinking, though since Jeffrey Sachs’ ephemerally successful expedition into Bolivia in the mid-1980s there has been enough of the old social fear to preach a ‘social safety net’. The World Bank pushed in the 1990s for private pensions schemes, successfully in Latin America and in post-Communist Europe, although being reversed in both regions. Another World Bank and IMF idea in the 1980s was to introduce fees for primary education and basic health care in poor countries, but the its impact, pushing enrolment and uptake rates down, soon appalled even the Washington economists who had come up with the idea, which is now abandoned.

Crucially, many highly indebted low-income countries in the South lack the power and institutional capacities to adapt international policy models to their contexts. Policy transfer imposed by fiat or threat of heavy penalties or conditionality is very different from policy learning—indeed, they can be mutually exclusive. Many developing countries have experienced ‘dependent learning’ (something no Western country ever faced). This is a novel barrier to the emergence of autonomous social policy in much of the South.

International environment

When considering the impact of international factors, the ability of European history to offer any useful lessons is severely tested. The developing world today is enmeshed in a network of economic relationships with powerful financial and corporate actors, is part of a world

society of inter-governmental institutions with powers to constrain and sometimes control Southern governments, and is subject to ruling ideas and ideologies promulgated by powerful epistemic communities, notably that of economists. The roles of supra-national structures, interests, institutions and ideas were not insignificant in the twentieth century during the emergence of Western welfare states – above all, the two World Wars had an immense shaping role. But in the last quarter of the twentieth and into the new century, all four of the national factors considered above have become profoundly internationalized.

Contrary to naïve interpretations of globalisation, the world's most generous welfare states have developed in societies wide open to and heavily dependent on the world market, such as Belgium, the Netherlands and Scandinavia. These welfare states, in particular the Scandinavian ones, always come at the top in managerial rankings of 'world competitiveness' (e.g., Schwab and Porter 2007). But they compete in the world market as niche players, on the basis of high skills. Unlike in the West, where social protection emerged early on as the only alternative to trade protection, in much of the developing world international exposure has occurred before mechanisms of social protection have been set up.

The East Asian national development states faced much stiffer cost constraints, arriving later and without old trading networks to build upon. East Asia benefited enormously from American largesse, but in ways very different from Europe after World War II - via access to United States consumer markets, off-shore military ones as well as mainland. Nevertheless, they provide the only successful model outside the West of indigenous capitalist development, only briefly interrupted by the 1997 Asian economic crisis. It remains to be seen to what extent they can accommodate the far more threatening and systemic global financial crisis of 2008.

The tide within intergovernmental institutions may now be turning. International organizations have been very important conveyors of ideas, of different kinds. The ILO has importantly inspired formal sector labour rights. The UN, from its 1974 Women's Conference in Mexico has spread ideas of gender equality, and the UN Convention of the Rights of the Child and its permanent child-focused organization UNICEF are highlighting children's well-being. Deacon (2007) provides a detailed account of the debates and contests between inter-governmental organisations, including between the UN family and the more powerful Bretton Woods institutions. There is some evidence that crass anti-welfare stances are being modified in the light of experience, but no evidence to date of an emerging 'progressive programme of global social policy'. Indeed, a rising chorus of voices in the global South questions the desirability of such a programme.

From all this, three conclusions seem warranted: first, the developmental paths of European welfare states are not likely to be repeated. Second, an array of social programmes already exists in the global South, but they do not yet coalesce into an alternative 'social policy model'. Third, these programmes are likely to expand in favoured locations, but they will

move forward along their own paths. To chart this variegated pattern, we summarise a recent cluster analysis of broader ‘welfare regimes’ across the global South in 2000 and then indicate some social policy innovations in the South.

Mapping social policies across the global South

Though there have been many attempts to apply Esping-Andersen’s welfare state regime framework to other parts of the world, including Central and Eastern Europe, Latin America and East Asia, these all adopt the original conceptual framework developed to understand the OECD world. This approach is rejected by Gough and Wood (2004; Wood and Gough 2006). To apply this paradigm to the nations and peoples of the global South requires, they argue, a *radical* reconceptualisation in order to recognize the very different realities described above. To do this Abu Sharkh and Gough (2010) include a wider range of variables and use cluster analysis to map the welfare regimes of 65 non-OECD countries in 2000.

This analysis generates eight country clusters which can be ordered according to the distances of their final cluster centres from the OECD welfare states (see Table 1). The cluster with the highest scores for public expenditure, public provision and welfare outcomes is labelled A. Most remote from this cluster are clusters G and H. The main findings are as follows.

TABLE 1 ABOUT HERE

Countries in *cluster A*, and only these, exhibit some characteristics of Western welfare states and may be labelled *proto-welfare states*. These countries share in common relatively extensive state commitments to welfare provision and relatively effective delivery of services plus moderately extensive social security programmes and superior welfare outcomes (by, it must be stressed, the standards of the non-OECD world). Apart from Israel and Costa Rica, this cluster comprises two distinct geographical zones and historical antecedents: the countries of the former Soviet Union and its bloc members and the relatively industrialized countries of southern South America. Both developed European-style forms of social protection policies in the middle of the twentieth century, and both suffered degradation of these in the late twentieth century through the external imposition of neo-liberal programmes. (The imposition of robber capitalism in the former Soviet Union has cut male life expectancy in Russia and Ukraine to 59 and 62 years respectively, though the central European countries admitted to the EU have fared much better (UNFPA 2008: 86ff).

Cluster B exhibits the second-best level of welfare outcomes and social service outputs yet with low levels of state social spending (and low reliance on external flows of aid and remittances). This interesting combination suggests that security and illfare are mitigated by fast-growing average incomes and/or by other domestic, non-state institutions. This combination is found in three major world regions: i) China and most countries in East Asia from Korea to Malaysia (except Indonesia, which dropped out of this group in 2000 having

suffered most from the 1997 crisis); ii) the remaining countries of South and Central America not in cluster A; and iii) some countries in Western Asia (Iran, Turkey and Tajikistan).

Countries in this group are mainly but not always low-middle income, with high growth rates, but are relatively undemocratic and unequal. This group includes some countries that have achieved historic reductions in poverty levels (living under \$1 a day at 2005 prices in purchasing power parities): China's economic take off has cut its proportion of the global poverty population from 41 per cent in 1981 to 16 per cent in 2005 (Chen and Ravallion 2008: 31). One notable finding is that this cluster includes most countries of externally-induced, reactive modernization (Therborn's fourth route to modernity), where states have been forced over longer periods to adjust to outside developmental pressures. This may indicate the presence of 'developmental states' with considerable infrastructure capacity but which have not prioritised traditional social policies. Here one might expect to see new forms of collective management of risk emerge.

Cluster C is similar to the above group but is distinguished by great reliance on remittances from abroad which account for 9 per cent of gross national income on average and which constitute an informal functional alternative to public transfers. It comprises small countries in the Caribbean and Central America, plus Ecuador, Morocco and Sri Lanka.

In southern and east Africa (South Africa, Namibia, Botswana, Zimbabwe and Kenya) a distinct *cluster D* exhibited in 2000 relatively extensive public social policy (in both tax, expenditures and outreach and literacy levels), but these improvements were swamped by rising mortality and morbidity due mainly to the HIV-AIDS pandemic.

Cluster F, centred on the countries of the Indian sub-continent - India, Pakistan, Bangladesh and Nepal - exhibits modest expenditure and social programmes alongside high levels of youth illiteracy and low numbers of females in secondary education. South Asia is always differentiated from East and South-east Asia most notably due to its illiteracy and poor education of women.² These are by no means 'failed states': India is proclaimed as a future economic giant. Moreover, they boast a plethora of targeted social programmes and informal security mechanisms. However, the absence of effective schooling, health and social protection policies coupled with highly gendered outcomes, according to such indicators as the population sex ratio, betokens high levels of insecurity among the mass of the population.

Clusters G and H comprise a chronic insecurity regime with high poverty and morbidity. These countries in sub-Saharan Africa exhibit low and in some cases falling life expectancy alongside relatively weak states with low levels of public responsibility, indicated both by

² This may well be related to its family system (especially in the north of the sub-continent) which exhibits, according to Therborn (2004), one of the most extensive and persistent forms of patriarchy in the modern world.

spending levels and social outputs, and higher dependence on overseas aid. The prevalence of poverty is also high and persistent - the change in the proportion in poverty in Sub-Saharan Africa over the last quarter century is within the margin of error, a decline from 43 to 40 per cent.

Thus we find a highly variegated pattern of welfare and illfare systems across the global South. We conclude that different groups of countries in the developing world face divergent threats to human wellbeing and divergent potentials for social policies to mitigate these. In central and parts of eastern Europe and parts of South America, despite serious erosion of their traditional welfare systems, we see a potential for new forms of social citizenship. In much of east and southeast Asia, much of Latin America, Iran, Turkey and possibly other parts of the MENA region, we find distinctive, different yet moderately effective informal welfare systems alongside small state sectors. In the Indian subcontinent, there is a plethora of formal and informal programmes but with little realization in terms of spending, delivery or welfare outcomes. In much of sub-Saharan Africa, what social programmes there are have been eroded and submerged beneath a rising tide of human need; this remains a zone of high insecurity and illfare.

Challenges to ‘the Rest’: Social Issues and Policies outside the OECD

We conclude this part by noting profound challenges to people’s well-being outside the OECD and by identifying some innovative policy solutions now emerging. The most egregious threats to well-being include the following.

- Disease and ill-health: most acutely, the ravages of AIDS in sub-Saharan Africa and elsewhere.
- Malnutrition, a major plague in South Asia and sub-Saharan Africa with enduring effects on children.
- Poverty: notably extreme poverty – the ‘bottom billion’ – centred again in Sub-Saharan Africa.
- Unsustainable population growth. In the last decades of the 20th century this was brought under control in most parts of the poor world, with one major exception, sub-Saharan Africa. By the end of the past century, if Africa since 1960 had had the same population growth as China, its GDP per capita would have been more than forty per cent higher than it was (Therborn 2003). Though it has gone down somewhat, high fertility remains a major challenge to the wellbeing of Africans.
- Urban amenities: the explosion of cities across the global South, out of proportion to urban services and employment, poses acute problems. Amazing human ingenuity has come up with makeshift shelters, hijacked electricity, hawking, scavenging, and other ‘informal’ activities. But sanitation and a

- reliable safe water supply are elementary social services, which are largely missing.
- Existential inequalities: girls and women are still systematically discriminated in large parts of the South, especially in South Asia and most parts of Africa, but also in the Chinese interior, in Central Asia, and the Middle East. Despite constitutional rights and affirmative action, caste still has its specific weight upon poverty in India. Amer-Indian communities along the Andean ridge have been victims of long social exclusion, only now beginning to break up under contestation, as in Bolivia.
 - Old age: huge rises in the proportion of elderly populations are emerging notably in China and East Asia. Nowhere in the South, outside parts of South America, is there an adequate pension system in place, although there are some pension schemes in urban China, and in some Indian states.
 - Finance: economic development will aid tax collection and social insurance in some favoured enclaves, but across much of the South taxes remain coercive and rent-based and tax capacity has been damaged by IMF policies (Moore 2008).
 - Climate change: finally the damage caused by global warming to environments and livelihoods notably in tropical and sub-tropical areas poses a long-term and cumulative threat to well-being (briefly and inadequately discussed below).

However, this pessimistic picture ignores the limitless inventiveness of human communities. The South has also witnessed the emergence of novel policy solutions to social problems, of variable range (see ILO 2004a: chapter 14, for a full review and evaluation). These include:

- Conditional cash transfers. The payment of a monthly income to mothers conditional on their children attending school is a broadly successful new programme, pioneered in Mexico but developed most extensively in the *bolsa escola* and *bolsa familia* programmes in Brazil. It is now being emulated in other Latin American countries.
- Provident funds. These are forms of social insurance account, financed by individual and employer contributions, which the individual can draw upon for different purposes, including medical care and housing. They developed under British colonial administrations and are notable in Singapore and Malaysia.
- Affirmative action programmes. In independent India these target a number of discriminated or ‘backward’ castes, becoming ‘scheduled castes’ and tribes, with certain quotas of education and public employment. It has been so successful that more castes are demanding to be scheduled as backward. More socially dubious is the Nigerian system of state quotas of higher education and of public employment.

- Price subsidies. Though anathema to neo-liberals and with many unwanted side-effects, many people still rely on large schemes of subsidized food, energy and other essentials, such as the Indian Public Distribution System.
- Micro-credit: Providing small sums of credit to poor people, mainly women, without collateral, this was developed in Bangladesh by the Grameen Bank and others. Similar programmes have spread across the South, but with mixed results.
- Social pensions. The South African social pension programme is nominally means-tested but in practice provides near-universal pensions to citizens over 70 years. It is being extended in Namibia as a universal unconditional cash transfer programme.

This incomplete list demonstrates that constructing social policy is a continually creative process, not a list of practices to be learned from Beveridge or other Western models. The challenges facing the South are formidable, but their very different character and contexts will stimulate new forms of social policies as yet unimagined, as well as the adaptation of proven programmes from Europe and the West.

Climate change: a new and unprecedented challenge

Livelihoods and wellbeing across the planet now face a formidable new long-term challenge: climate change. But while the economics and politics of this challenge are the object of energetic enquiry (eg. IPCC 2007; Stern 2007; Giddens 2009), its implications for social policy are unstudied (see Gough et al. 2008 for arguments and references).

What are the implications of climate change for social policies and welfare states? Social policy is often defined as the public management of social risks. These policies usually address *idiosyncratic* risks: individually unpredictable but collectively predictable. But climate change is a *systemic* risk: ‘novel, big, global, long-term, persistent and uncertain’ (Stern 2006: 25). Moreover, unlike the consequences of early industrialisation, which were visible and directly felt by many people, and which generated new social forces fostering collective mobilisations to correct or prevent them, the ‘externalities’ of climate change are distant in time and global in space; the material bases for collective mobilisations are far weaker. The climate challenge more resembles a wartime emergency mobilization.

The direct harmful impacts on human livelihoods and wellbeing are predicted to be most dire in the tropics and subtropics. The fact that the adverse effects will fall disproportionately on poor peoples with no responsibility for the past accumulation of greenhouse gases raises profound issues of social justice, which we cannot address here. Instead we return to the implications for social policies in Europe and the West, the home of welfare states. According to Gough et al. (2008), these fall into four categories:

1. *Direct* risks to wellbeing. Though more modest than in the global South, these will still be real and adverse, especially in coastal areas and Mediterranean regions. This poses new challenges for traditional social programmes, for example, new housing and settlement patterns, new insurance costs, health demands of extreme climatic events, the management of natural disasters and their dislocations and traumas.

2. *Indirect* risks to wellbeing. Perhaps the most significant in Europe would be climate migration from the developing world: the report of Javier Solana and Benita Ferrero-Waldner has told the EU to prepare for ‘a flood of climate change migrants’.

3. Implications of climate *adaptation* policies. There will be an opportunity cost in making settlements, infrastructure and buildings more resilient to climate change. Thus there is potential fiscal competition between welfare and environmental demands, unless synergies are exploited.

4. Implications for ‘traditional’ social policy of climate *mitigation* policies. These are the most significant for European welfare states. Much will depend on the policies implemented to reduce carbon emissions and their redistributive effects.

After decades of market solutions, climate change brings back centre stage the role of *public governance*. The comparative evidence is clear: Social democratic welfare states and some continental welfare states have been pioneers in developing comprehensive environmental policies, including climate change mitigation. Thus the novelty and scale of climate change risks is driving a new governance agenda. This may benefit strong welfare states as suggested above. But on the other hand it may threaten them. Climate change might displace social policy issues, by providing a new focus of countervailing governance in the 21st century, by capturing the political imagination and weakening the traditional concerns of social justice.

More profound still is the potential challenge of climate change to economic growth and thus to welfare states’ past dependence on economic growth. The key issue is whether we can move to a sustainable low carbon world whilst still maintaining growth in the West. Here there is at present a dominant consensus that sufficient investment in alternative technologies can achieve growing production and consumption whilst massively cutting carbon emissions – the two can be ‘decoupled’. If so, the material base of Western welfare states can persist. But there are strong and growing reasons to doubt this optimistic scenario, as argued by Jackson in the United Kingdom Sustainable Development Commission (UK SDC 2009).

The key issue is that, even if the required huge reductions in carbon emissions per unit of output were achieved, it would allow for no greater catch-up by the developing world. The world in 2050 would be one of similarly egregious inequalities and suffering to the present; indeed absolute inequalities would be greater. And it would be a world of continuing cumulative income growth in the West, with average incomes more than doubling again. To

achieve a world where the entire population enjoyed an income comparable with EU citizens *today*, the world economy would need to grow 6 times between now and 2050, implying a technical shift of still higher orders of magnitude if climatic disaster is to be avoided.

At this point the climate change debate intersects with the ethics and politics of human wellbeing. There is now growing evidence that excessive economic growth beyond some point (that has been exceeded in most OECD countries) can harm objective wellbeing and subjective wellbeing (Kasser 2002), as well as environmental sustainability. The strong implication is that to preserve the planet and its fundamental resource system, and to improve global social justice, growth in the West must be curbed, probably ended and perhaps reversed.

This is a very different political and economic scenario from the environmental concerns of early social policy, such as sanitation, sewage, urban industrial pollution, and, in the conquered colonial areas, tropical diseases. Dealing with them was not cost-free, but it did not involve holding back the opulent life-style of the privileged. On the contrary, those local environmental policies were a boon also to the latter. Similarly, the huge post-war welfare state provides obvious benefits as well as costs to major constituencies. But if the growth state on which the welfare state was built is quite simply unsustainable in the West, the welfare state will have to transform.

The current crisis of financialised capitalism

This links to the second systemic challenge to Western welfare states, which have flourished in an era of persistent economic growth. Does an effective welfare state therefore *require* a growth state? If so, the current economic and financial crisis poses another fundamental challenge to existing welfare states.

The expansionary period 1950-1975 certainly recorded fast absolute growth in the value of social spending and a rising share of GDP. This was driven by several ‘automatic factors’, notably demographic change and the ‘relative price effect’. But it also reflected the emergence and labelling of ‘new needs’ and pressures for higher standards and greater coverage coming from a resurgent labour movement and a plethora of new social movements. By 1980 predictions of a crisis of the welfare state were common. But as Glennerster shows in the previous chapter, national welfare systems have displayed great ingenuity in confronting many of these problems. In addition, the opportunity cost of private market alternatives has been high, sometimes ruinously so. As a result social expenditure continued to climb, both absolutely and relatively, in the neo-liberal and Third Way dominated decades following 1980.

The term ‘crisis’ has certainly been overused in the past, but following 2008 it is surely appropriate. It reflects not simply the global recession of 2009, but the collapse of a global

model of financialised capitalism, ushered in in 1980 by Thatcher and Reagan. This model comprised inter alia financial liberalisation, new forms of corporate governance and a huge rise in credit/debt; for example, mortgage borrowing exceeds 100 per cent of GDP in the United Kingdom. One immediate effect of this is that public spending to deal with defaults and the banking crisis have been huge (20 per cent of GDP in the United Kingdom, 7 per cent of GDP in the United States) and will compete with the welfare state for public funds.

More significant still in the longer run is the end of personal consumption as the driver of capital accumulation in the West. Since 1980, profit shares have risen, wage shares have fallen, and the wage share has become skewed towards the rich. The corollary was that mass consumption spending was supported more and more by borrowing (Glyn 2007). This model has been exposed as unsustainable and also very risky, especially for highly-indebted English-speaking liberal market economies. Alongside climate change, the restructuring of capitalism provides a second reason why the share of consumption in the economy may have to decline.

Thus the scenario is for feeble growth rates, the repayment of debt and very likely falling levels of personal consumption. In fiscal terms the challenge of climate change will require very substantial public investment as argued above. Environmental spending plus climbing debt interest would thus narrow the scope for expenditure on traditional social programmes. Yet politically, a need for greater redistribution would emerge in a less benign world of contracting incomes and still faster contracting consumption.

Outside the North Atlantic region the perspectives are different. The crisis from 2008 has brought home the importance of a public social safety net for the whole population. Pensions cannot be left as an appendix to the financial market, as the World Bank taught in the 1990s. The Chinese government has recognised the role of an expansive social policy in boosting domestic demand, and the public health service which was left to fall apart in the 1980s-1990s will now be put together again. But in the South too, though in different ways, social prospects will very much depend on what happens to economic growth. By early 2009 the crisis had spawned no major socio-political realignments, neither in the South nor in the North, with the possible exception of the Obama election in the United States, the social reach of which is still undecided.

The implications of the challenges of climate change and the new crisis of capitalism are still unclear. There is a growing consensus on the 'Green New Deal' as a way of tackling both. But beyond that we need to consider new forms of de-commodification that transcend those of the welfare state. If both market and state threaten planetary resources, we need to reconsider the 'core economy' and the role that it can play in enhancing human wellbeing.

This would point to such policies as prioritising preventive health, constructing sustainable public services, and creating local support networks. The systemic nature of the current crisis may provide an opportunity for a radical rethinking of the future of Western welfare states.

The developed welfare state was a response to the social challenges of industrial capitalism, particularly in the class-structured European road to modernity. It was a response made fully possible by the unprecedented economic growth in the decades after World War II. It has proved itself a resilient institution under neoliberal attack. As capitalism and proletarianisation spread across the world, demands for social insurance and social rights will grow in the new century, but the forms in which such demands are realized will likely differ from existing models. However, in both North and South, policies for security, justice, and wellbeing will have to factor in the challenges to all three posed by global threats of environmental disasters. The 20th century formula of economic growth and social security/justice will no longer be adequate.

Table 48.1: Cluster analysis for welfare regimes of 65 non-OECD countries (2000)

Cluster identifier	A	B	C	D	E	F	G	H
No of countries	14	16	7	5	5	7	5	4
Aid per capita/ GNI	0,81	2,08	2,98	2,59	6,22	3,96	12,05	27,19
Workers' remittances/GNI	0,64	0,66	9,20	0,03	0,34	1,54	2,30	0,99
Public spend. health + education/ GDP)	9,35	6,77	5,77	8,63	4,35	4,80	5,44	5,17
Social contributions/ total revenue	29,46	7,06	6,78	1,05	1,72	1,19	1,29	0,43
School enrollment, secondary, fem. (% gross)	91,99	76,05	63,64	59,70	29,70	28,27	12,39	14,00
Immunization, measles (% of children u. 12 m.)	90,50	89,19	92,86	76,40	62,80	65,14	58,40	78,75
Life expectancy at birth, total (years)	72,32	69,57	70,30	44,17	53,74	56,90	46,32	41,30
Illiteracy rate, youth total (% ages 15-24)	1,28	2,20	13,39	7,29	6,65	35,57	48,21	27,42
	Argentina	Bolivia	Dominican	Botswana	Cameroon	Bangladesh	Benin	Mozam
	Belarus	Chile	Rep.	Kenya	Congo, Rep.	Cote d'Ivoire	Burundi	bique
	Brazil	China	Ecuador	Namibia	Ghana	India	Ethiopia	Guinea
	Bulgaria	Colombia	El Salvador	South Africa	Indonesia	Nepal	Mali	-Bissau
	Costa Rica	Iran, Islamic	Jamaica	Zimbabwe	Tanzania	Pakistan	Senegal	Rwand
	Croatia	Rep.	Morocco			Papua New		a
	Estonia	Kazakhstan	Nicaragua			Guinea		Zambia
	Israel	Korea, Rep.	Sri Lanka			Togo		
	Lithuania	Malaysia						
	Poland	Mexico						
	Romania	Moldova						
	Tunisia	Paraguay						
	Ukraine	Peru						
	Uruguay	Philippines						
		Tajikistan						
		Thailand						
		Turkey						

NORFACE Welfare State Futures (WSF) Programme is an interdisciplinary transnational research programme focusing on future developments of European welfare states. It was launched in 2014 by the New Opportunities for Research Funding Agency Co-operation in Europe (NORFACE) network. Including 15 transnational projects with 250 researchers from 25 European countries, the programme analyzes the societal, economic, political and legal aspects of welfare state development and suggests pathways of its... The Future of the Welfare State: Crisis Myths and Crisis Realities. Oxford: Oxford Univ.Â Global Social Policy and Governance. L.: Sage, 2007. Deacon D., Hulse M., Stubbs P. Global Social Policy. International Organizations. and the Future of Welfare. L.: Thousand Oaks: New Delhi, 1997. Deleuze G. Introduction // Donzelot J. The Policing of Families: Welfare versus the. What is important for the future of welfare states is that the pandemic has highlighted the risks created by limited social support measures, including health services. It has increased demand for universal medical coverage and minimum social guarantees. It is no coincidence that many developed countries have expanded anti-crisis measures to cover people who previously were ignored, such as self-employed people, temporary workers, and contractors. At the same time the current crisis has emphasized the benefits of universal welfare states. Among developed countries, Scandinavians have adopted the fewest number of new measures to support their citizens. This is not because they care less about their people. The Welfare State as Universal Social Security: A Global Analysis. Article. Full-text available. Mar 2020. Kerem Gabriel Å-ktem.Â The first is the literature on the fiscal sustainability of welfare states, which is invariably predicated upon future growth primarily to manage demographic changes. The second is the post-growth literature, which has enjoyed a renaissance in recent years due to an environmental critique of economic growth. Both literatures contain implications for the analysis of welfare state sustainability. The primary contribution of this paper will be to explore the intractability of the tensions between these discourses and the difficulty of mapping out a progressive policy direction in the twenty-first century which meets both our environmental and social sensibilities. In the future, debt will present policy makers with difficult decisions about how they address the needs of retirees. Climate.Â The International Monetary Fund estimates the global economy will shrink by 3% in 2020, resulting in losses of \$9 trillion â€“ an amount greater than the economies of Germany and Japan combined.³ In the US, Pew Foundation research reports that unemployment rose faster in the first three months of the pandemic than the two years of the global financial crisis.Â United States. Whatâ€™s the rule?7 Individuals can take penalty-free hardship withdrawals from their defined contribution plans under the CARES Act. Who took advantage?7.