
4.

Shaping the future of the welfare state – What are the challenges and how might they be addressed?

Seán Healy and Brigid Reynolds

The welfare state is not an end in itself. It is a means to an end. In reflecting on the future of the welfare state, therefore, it is important to address the issue of purpose: if there is to be a welfare state what should its purpose be? To serve that purpose what should be the shape of the welfare state in the future? What are the challenges faced by the welfare state in seeking to achieve that purpose? What should be the key components of the welfare state in the twenty first century if it's to achieve its purpose? What additional challenges does the production of these key components present to governments, societies and individuals? These are the questions we seek to address in this chapter. Needless to say we will not be able to address all these questions comprehensively. However, we set out what we consider to be some of the core elements of the answers to each of these questions.

A question of purpose

In recent years the issue of well-being has been the subject of much discussion and debate. Many reports have been produced by significant bodies in the policy-making process internationally and in Ireland. These include reports by the Organisation for Economic Cooperation and Development (OECD), the New Economics Foundation (NEF), the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) and in Ireland, the National Economic and Social Council (NESCC). These reports have all identified the importance of well-

being for all societies and recognised that the purpose of public policy is ultimately to ensure the well-being of its members. Particular policies in specific economic, social, cultural, political or environmental areas are all measured by their ultimate capacity to contribute to the well-being of the members of society.

These reports and studies have identified a range of issues closely related to well-being. These include the issue of progress: what is progress and how should it be measured? What contributes to and what damages well-being? What should be the inter-relationship between the human and the ecological systems? How important is economic growth and how should it be measured? How are economic growth, progress, the environment and well-being interrelated?

Flowing from these discussions there has been an emerging series of questions concerning the obligation on societies to promote the well-being of their members. Do societies have such an obligation? How can the answer to such a question be decided? If such an obligation exists, what are the implications of this obligation? What are the criteria by which this obligation is determined? Who should be involved in this discussion and who should make the final decisions? How can these be monitored on an ongoing basis? How can directions be adjusted in light of emerging evidence?

A recent report by The National Economic and Social Council (NESC) defined well-being as follows: “A person’s well-being relates to their physical, social and mental state. It requires that basic needs are met, that people have a sense of purpose, that they feel able to achieve important goals, to participate in society and to live the lives they value and have reason to value.” (NESC 2009, p.xiii)⁹⁹ This is the wellbeing that *Social Justice Ireland* and the present authors would like for all members of all societies.

⁹⁹ A summary of this report is included as a chapter in a previous volume in this series: Healy and Reynolds, 2009. That chapter was written by Helen Johnston of NESC who was the principal author of the report.

As far back as Plato it was recognised that the person grows and develops in the context of society. “Society originates because the individual is not self-sufficient, but has many needs which he can’t supply himself”¹⁰⁰ (cited in George, V. 2010, p6). Down through the ages various philosophies and social arrangements have been proposed to meet the felt need in societies to fulfil their perceived obligations to their members. These varied from Aristotle’s position of favouring private ownership but common use of property to ensure the dire needs of people were met, to the emphasis of both Plato and Aristotle that education should be free and compulsory, to Cicero’s discussion of equality, to the early Christian emphasis on sharing and forming community.¹⁰¹

In more recent times the dignity of the person has been enshrined in The Universal Declaration of Human Rights which states: “All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.” This core value is also at the heart of the Catholic Social Thought tradition. *Social Justice Ireland* and the authors in particular, support the values of both these traditions. We advocate that the dignity of each and every person must be recognised, acknowledged and promoted effectively. This implies that society’s structures, institutions and laws should exist for the authentic development of the person.

The right of the individual to freedom and personal development is limited by the rights of other people. This leads to the second core value, namely, the common good. As we noted earlier the concept of the ‘common good’ originated over two thousand years ago in the writings of Plato, Aristotle and Cicero. More recently, the philosopher John Rawls defined the common good as “certain general conditions that are...equally to everyone’s advantage” (Rawls, 1971 p.246). *Social Justice Ireland* understands the term ‘common good’ as “the sum of those conditions of social life by which individuals, families and groups can achieve their own

¹⁰⁰ (Plato, in Lee 1987, p58, cited in George, V. 2010, p6)

¹⁰¹ For an interesting review of the historical development of welfare see George, V. (2010), *Major Thinkers in Welfare: Contemporary Issues in Historical Perspective*, Bristol, The Policy Press.

fulfilment in a relatively thorough and ready way” (Gaudium et Spes no.74). This understanding recognises the fact that the person develops their potential in the context of society where the needs and rights of all members and groups are respected. The common good, then, consists primarily of having the social systems, institutions and environments on which we all depend, work in a manner that benefits all people simultaneously and in solidarity. The NESCS study referred to already states that “at a societal level, a belief in a ‘common good’ has been shown to contribute to the overall well-being of society. This requires a level of recognition of rights and responsibilities, empathy with others and values of citizenship” (NESCS, 2009, p.32).

This raises the issue of resources. The goods of the planet are for the use of all people – not just the present generation; they are also for the use of generations still to come. The present generation must recognise it has a responsibility to ensure that it does not damage but rather enhances the goods of the planet that it hands on – be they economic, cultural, social or environmental. The structural arrangements regarding the ownership, use, accumulation and distribution of goods are disputed areas. However it must be recognised that these arrangements have a major impact on how society is shaped and how it supports the well-being of each of its members in solidarity with others.

In recent years many people have argued that the market will resolve these issues. They believe that following the economic recession the market is the only mechanism that can restore a sense of social obligation and develop a viable response to the questions raised above. Consequently, they argue that the primary focus of government policy should be to support and encourage business efficiency through the social, economic, cultural and political structures of society. This is an ideology that gives primacy to the economy. It believes that people should serve the economy, not vice versa.

On the other hand many others have argued that an untrammelled market undermines any reasonable attempt to shape society in the interest of securing every person’s well-being. They believe that human dignity and human development are critically important as it is the right of every

individual to realise his or her potential and aspirations. They look at history and say that the market has created inequalities rather than enhanced solidarity; that it has given huge priority to creating what is superfluous rather than redistributing necessities.

It is clear from what we have written already that the authors believe that the economy should serve people and not the other way around. However, it is very important to note that we do not reject the market or the social role of private enterprises or profit or finance and so on and their capacities to contribute positively to the well-being of society and its members. Rather, we believe that the market should be at the service of people and that all can contribute to deciding the aims and choosing the priorities that ensure that the market in its various manifestations is at the service of securing every person's well-being.

The welfare state

Down through the ages societies have struggled with these issues and responded to the challenge of securing and supporting the well-being of their members in a variety of ways. One approach to securing everyone's well-being has been the development of the welfare state. There has been an ongoing debate on the future of the welfare state for the best part of 30 years. Developments such as faltering economies, changing demographics, globalisation and many more have fuelled these debates at different times. There is general agreement in the literature that the welfare state has been changing in terms of both its purpose (ends) and its means. However, whether or not developments have been positive or negative is disputed. Some have concluded that the welfare state has been very effective at resisting attempts to reduce its scope (Mishra, 1990; Pierson, 1994; Timonen, 2003). Others argue that there has been substantial reduction in the welfare state in recent decades (Bryson, 1992; Leonard, 1997; Jamrozik, 2001).

In the year 2000 the European Union agreed a new strategy to become 'the most competitive and dynamic knowledge-based economy in the world'

capable of sustainable economic growth with more and better jobs and greater social cohesion'. The European social model was to be developed through investing in people and developing an active and dynamic welfare state. This was seen as crucial by the European Council so as to secure Europe's place in the knowledge economy and to ensure that the so-called new economy did not exacerbate social problems such as unemployment, social exclusion and poverty. This approach, known as the *Lisbon Strategy*, was substantially amended at its half-way point in 2005 and by its conclusion date in 2010 had clearly failed to deliver on either its economic or social goals. A new strategy was put in its place in 2010 called *Strategy 2020*. While it contains targets on poverty, education, jobs and the environment, there is little confidence that it will get to grips with some of the major challenges that face the welfare state at this moment in history.

Through all of this period however, many countries increased their social spending. Between 1980 and 2005 the 'Anglo-Saxon' countries along with other low-spend countries increased their social spending by about one fifth (as a percentage of GDP). Scandinavian countries were starting from a much higher base but they increased their spending by a similar amount. Japan increased its social spending by 75 per cent (principally to meet the needs of its aging population). The Mediterranean countries, which lagged behind other EU countries, had the fastest growing welfare states. Greece, Spain, Portugal and Italy increased their welfare effort by two-thirds in this period. Other countries in Western Europe saw their spending grow at a more modest rate. On average gross public expenditure on welfare across OECD countries increased from 16 per cent of GDP in 1980 to 21 per cent in 2005 (Adema and Ladaique 2009).

Another development that needs to be noted in this context is that spending on social policy rose as a share of public spending across the Western world in the second half of the twentieth century. Spending on defence was reduced as a proportion of public spending and industrial subsidies were reduced as major basic industries were privatised.

Overall, however, there is no doubt that the welfare state is under pressure, that it has changed and developed in the past and that it will do so again

in the future. The broader context has been changing rapidly and this has produced a wide range of challenges which the welfare state now faces. We reflect on some of these.

Key Challenges

The welfare state is facing key challenges at a range of different levels today. These include:

- The economic level: is the welfare state fiscally sustainable in the long-term?
- The political level: can the welfare state be sustained in the current political climate?
- The meaning (cultural) level: is the welfare state sustainable from a moral perspective?
- The social level: is the welfare state a place in which people wish to live in the years ahead?

We look at each of these challenges in turn.

The economic dimension: is the welfare state fiscally sustainable in the long-term?

The past few years have produced a major economic upheaval across the world. There have been banking crises, budget crises and economic crises. The basis of the world's core economic model has fallen apart. The taxpayer has had to pay huge amounts of money to rescue financial institutions while, at the same time, many governments (including Ireland) have made huge cuts in funding for social services and infrastructure.

But the issue of whether or not the welfare state is fiscally sustainable in the long-term was already being addressed long before these recent series of crises exacerbated the situation. Governments had, for example, been introducing (or increasing) charges in healthcare systems. Likewise some governments reduced the levels of pensions to which people were entitled. Over the past two decades the levels of expected pension payments had been reduced by a quarter in the EU. However this was of little significance for Ireland which never had generous pension entitlements along EU lines (except for the wealthy who could provide for their own pensions and who got very generous tax breaks to fund these).

Changes introduced in recent years, however, may not be even close to being sufficient to address the fiscal sustainability challenge. The future may well see a regular recurrence of similar financial crises if international regulatory systems are not put into place or are not effective in policing the irresponsibility and criminal behaviour of the international banking system. If this is the situation that emerges then the stability and growth of modern economies will be under serious pressure. Their capacity for financing the welfare state will be precarious. This capacity is going to be tested in the medium term as the huge debt incurred by states in rescuing their financial sectors in recent years will put government budgets under pressure.

The political dimension: can the welfare state be sustained in the current political climate?

Macro-sociological studies have highlighted the importance of the political dimension in the evolution of the welfare state (for example, Oyen, 1986; Orenstein, 2000; Rys 2010). If it is to be maintained and developed in the long-term then it has to be politically acceptable to a wide range of those who shape decisions across various political arenas.

In recent decades the political system in most countries has come under pressure from its electorate demanding value for money as well as more efficient and better quality services. Governments have responded in a

variety of ways. Many have, for example, introduced public sector reforms focused on setting targets and measuring outcomes. Some have introduced competition between service providers as a means to generating greater efficiency. This can be seen in the Swedish healthcare and education systems and in the healthcare reforms introduced in the Netherlands and Germany. There has been a huge growth in private provision of social care in many countries. On the other hand, there has been only modest growth in private education and healthcare in some countries while others have taken very few initiatives in this direction.

In arguing for private sector involvement and a greater role for the market in areas of welfare provision, governments tend to highlight the deficiencies of state provision which have led, in turn, to declining confidence in the state's capacity to improve the quality of the services provided or to get the best value for the money it spends in these areas. This obviously is an additional problem which forms part of the context to be addressed.

How successful these approaches have been is unclear. There are many reasons why markets have not worked well in many areas covered by the welfare state. However, there is little doubt that the demand for more efficiency and better quality in social services will persist. It is not clear how governments will respond to this demand. They may, for example, give service recipients a greater voice in the provision of the service they receive. Or they may have more competition. Or they may develop options that enable service recipients to exit state provision. Or they may adopt any combination of these responses. However, the resourcing of these options remains an unresolved issue. There are major questions concerning governments' approach. For example, if government provides a specific amount of money for a particular service provider to deliver a service how can the provider ensure that the funding is not reduced while the demands increase. This latter has been the experience of many service providers in the community and voluntary sector in Ireland during the current recession. The government washes its hands of any responsibility once a certain amount has been allocated. The service provider on the

frontline is left facing those who need a service but without adequate funding.

This is obviously unacceptable. An even more unacceptable practice is the approach used by Ireland's Department of Health in allocating resources to fund a specific initiative in a particular budget and then agreeing to this money being reallocated to fund over-expenditure in other parts of the service while still claiming credit for the original allocation! Yet another danger in this context is the situation where government provides grants for additional service provision by the private or the community and voluntary sector and then lets the public sector's provision of the service lapse.

Obviously there are issues of efficiency and effectiveness involved in all of this. How can one be balanced against the other? How can decisions be made that produce a fair outcome given the various issues involved? There are tensions between legal entitlements, standards of provision and budget allocations. A comprehensive debate and a workable way of finding the appropriate balance between these various aspects and how they are to be provided and resourced at any particular moment in time are needed.

There is another challenge that the political system faces in the years ahead. For a century or more the issue of the services available for people has been at the core of the political agenda at national level across the world. Poverty was reduced. Social housing provision increased. Education and healthcare came to be seen as services to which all should have access. In the decades ahead there will be other issues that may well dominate political debate ranging from the world banking crisis to climate change to the situation of the Third World. In contrast to welfare state issues in the past century which were addressed for the most part at national and local levels, these issues require international action with countries working together to develop and deliver solutions. However, these developing arrangements do not necessarily have to reduce the interest in or support for welfare state issues. In fact, addressing these issues could lead to a more balanced approach to global and national

development in which, for example, environmental, welfare and economic issues are seen as impacting on each other and consequently are addressed in a genuinely integrated manner.

The meaning (cultural) dimension: is the welfare state sustainable from a moral perspective?

Some have argued that the changing economic world and a growing focus on the individual rather than the social or the community will undermine the moral basis for the welfare state. They see this growing focus as leading to a lack of commitment to others which will erode their solidarity and commitment to support the welfare state. This view is being reinforced following the very angry reactions of many people to the decisions of government to rescue banks and other financial institutions with tax payers' money. These decisions have put huge pressure on national budgets. Some argue that people will conclude that they themselves do not carry any responsibility for others and consequently support the reduction of social expenditure.

Market optimists have always argued that the market has the capacity to ensure that all the services provided by the welfare state can, in fact, be made available by the market. They urge the state to introduce rules that ensure people provide for their needs through private provision for their health, long-term care and pension needs and to take the financing of their education and accommodation into their own hands (Thaler and Sunstein, 2008).

However, the record shows that there has been growing inequality in the gross incomes of people in many countries in recent years. If this inequality is to be reduced then the State must play a key role which in turn means that taxes and/or benefits have to be increased. The key question is how much of the inequality generated by the original market effect should be reduced or eliminated. Different countries have provided different answers. Sweden, for example, has reduced its original market-based inequality by much more than countries such as Ireland, the UK,

Canada, Finland or Germany. There have been substantial, but varied, levels of redistribution. When benefits-in-kind are included there is even more redistribution. This continued redistribution would suggest that the fears of losing moral support are unfounded.

There is growing support also for the argument that unequal societies are dysfunctional. A recently published book entitled *The Spirit Level: Why More Equal Societies Almost Always Do Better*, (Wilkinson and Pickett, 2009) has produced a great deal of evidence showing that inequality does matter. It shows that the dysfunctionality arising from inequality impacts on both the poor and the rich and affects areas from health, to happiness, from murder rates to teenage pregnancy, from social mobility to educational performance. It is clear that for a great many people inequality matters, why it occurs matters, the damage that it does matters, and so seeking greater equality matters.

Another aspect of concern for the sustainability of support for the welfare state at a moral level has been the understandable worry that social policy designed to create a more equal society might make the economy less efficient. However, a range of recent publications on social policy show that social protection measures don't necessarily make an economy less efficient. In fact, it is becoming clearer that economic efficiency is much more likely to be affected negatively by unrestrained capitalism. The recent banking crisis has undermined the belief that unrestrained individual greed can result in better welfare for all.

The social dimension: is the welfare state a place in which people wish to live in the years ahead?

There are many new challenges that could arise in the social context. For example, technological changes and the rewards of innovation may lead to even greater inequalities in income and in wealth. This situation could be exacerbated by the terms of trade in a world of growing international trade. At another level major climate change could well produce food shortages and rising sea levels. These would, in turn, produce large

numbers of displaced people who would migrate. This in turn could have huge implications for better off countries that will be challenged to support poor people migrating to their countries. Paradoxically, this could generate support for the welfare state as well as working against it. People might well conclude that they would be far better off, on balance, working together to attain a future in which all could live with dignity.

There is another, quite different, issue that arises in the social context. This concerns the providers of social services whether they are teachers, nurses, doctors or community development workers and what is called 'provider capture'. 'Provider capture' refers to a situation where a service is developed primarily in the interests of the service provider rather than in the interests of the person receiving the service, whatever it may be. For example teachers are expected to provide a service that is primarily of benefit to the students, nurses and doctors are to provide a service focused primarily on improving the health status of people. Claims have been made that decisions are made in the education system, in the healthcare system and in many other areas that form part of the welfare state, in the interests of those who are employed to deliver the service rather than in the interests of those whom they are employed to serve.

This is a huge issue and would best be addressed in another chapter or book. It involves issues around the relationship of the state to various actors in the provision of welfare whether these work for the state, the community and voluntary sector or the private sector. It involves issues around roles and relationships and how these are perceived. It involves issues around partnership and mutuality and shared responsibility. It involves issues around support structures. Above all it involves recognition in both theory and practice that those receiving the service should be the primary focus at all times. This is assured by appropriate participation in decision-making regarding the service. However, in the context of this chapter it is important to recognise that ensuring 'provider capture' does not happen will be a necessary pre-requisite for the successful development of the welfare state in the years ahead.

In this struggle to develop a society where the well-being of all is the focus

we should keep the following question in the spotlight: is this the kind of society in which people want to live? If the welfare state is to have support and be a place that attracts people then it must seek to provide a core set of outcomes that would promote the well-being of all. We now identify some of the key components we believe should be at the heart of the welfare state in the twenty-first century.

Key components of a 21st century welfare state¹⁰²

1. An appropriate, secure income distribution system

The income distribution system that is seen as ideal at present involves all adults of working age having paid employment. This is supported by a welfare system that ensures people have a basic amount of money if they are unemployed, ill or otherwise unable to access income from having a job. This system has consistently failed to eliminate poverty. It has consistently failed to generate full employment on any kind of permanent basis. It needs to be radically overhauled to address the world of the 21st century.

The present authors have argued for a long time that the tax and social welfare systems should be integrated and reformed to make them more appropriate to the changing world of the twenty-first century. We suggest that the present system be replaced by a Basic Income system. A Basic Income is an income that is unconditionally granted to every person on an individual basis, without any means test or work requirement. In a Basic Income system every person receives a weekly tax-free payment from the Exchequer, and all other personal income is taxed, usually at a single rate.

For a person who is unemployed, the basic income payment would replace income from unemployment payments. For a person who is employed

¹⁰² The ideas in this section have been developed at much greater length by the authors in Healy and Reynolds, 2008.

the basic income payment would replace tax credits in the income-tax system. Basic income is a form of minimum income guarantee that avoids many of the negative side effects inherent in the current social welfare system. A basic income differs from other forms of income support in that

- it is paid to individuals rather than households;
- it is paid irrespective of any income from other sources;
- it is paid without conditions; it does not require the performance of any work or the willingness to accept a job if offered one;
- it is always tax free.

A Basic Income system would replace welfare payments. It could guarantee an income above the poverty line for everyone. It would not be means tested. There would be no “signing on” and no restrictions or conditions. In practice a basic income recognises the right of every person to a share of the resources of society.

The Basic Income system ensures that looking for a paid job and earning an income, or increasing one’s income while in employment, is always worth pursuing, because for every euro earned the person will retain a large part. It thus removes the many poverty traps and unemployment traps that may be in the present system. Furthermore, women and men get equal payments in a basic income system. Consequently the basic income system promotes gender equality.

Ensuring people’s well-being requires a secure income system. Basic Income is a system that is altogether more guaranteed, rewarding, simple and transparent than the present tax and welfare systems. It is far more employment friendly than the present system.

A new system is required to secure an adequate income for all in the twenty-first century. Basic Income is such a system.

2. Recognition of all meaningful work, not just paid employment

The importance of work for people's well-being is not disputed. However, the understanding of work has been narrowed in practice to paid employment. But paid employment is not available for many people at any particular time. Other kinds of work which are not remunerated such, as care work, are not seen as 'real' work. This situation raises serious questions about the meaning and perception of work. The authors believe that meaningful work is essential for people's well-being. The authors believe that every person has the right to meaningful work. The challenge faced by many societies today is to ensure that right is honoured for all even if paid jobs do not exist for all. We believe that it is possible to produce a situation where everyone has meaningful work even if full employment has not been achieved. It would involve the recognition of all forms of meaningful work, not just paid employment.

A major question raised by the current labour-market situation concerns assumptions underpinning culture and policy making in this area. One such assumption concerns paid employment which is assumed to be achievable in a relatively short time frame if only the correct policies were put in place. The reality raises serious questions concerning this assumption. There are hundreds of millions of people unemployed or underemployed across the world. Even in the most affluent countries there are many who are unemployed or under-employed. It is crucial that job-creation be promoted and that all that is possible be done to create well-paid jobs in which people do meaningful work. However, it is also crucial that societies face up to the fact that there will be many unemployed people for the foreseeable future. One possible pathway towards a solution might be to address a second assumption in the whole area of work.

This second assumption concerns the priority given to paid employment over other forms of work. Most people recognise that a person can work very hard even though they do not have a conventional job. Much of the work carried out in the community and in the voluntary sector fits under this heading. So too does much of the work done in the home. The

authors' support for the introduction of a basic income system comes, in part, from a belief that all work should be recognised and supported.

There has been some progress on this issue particularly in the growing recognition of the value of voluntary work. The need to recognise voluntary work has been acknowledged in the Government White Paper, *Supporting Voluntary Activity* (Department of Social, Community and Family Affairs, 2000). The current national social partnership agreement *Towards 2016* also contains commitments in this area.

A report presented to the Joint Oireachtas Committee on Arts, Sport, Tourism, Community, Rural and Gaeltacht Affairs established that the cost to the state of replacing the 475,000 volunteers working for charitable organisations would be a minimum of €205 million and could cost up to €485 million per year.

Government should more formally recognise and acknowledge all forms of work. We believe that everybody has a right to work, understood as contributing to his or her own development and/or that of the community and/or the wider society. However, we believe that policy making in this area should not be exclusively focused on job creation. Policy should recognise that access to meaningful work is an important factor in human well-being. A Basic Income system would create a platform for meaningful work. It would benefit paid employment as well as other forms of work.

3. A strong focus on strengthening participation by all

The need to strengthen participation by all has two aspects. One concerns participation in development at an economic and/or social level. This has been addressed to some extent under the preceding item i.e. the need to value all work. The second aspect concerns participation at a political level. Participation in both of these ways is important for people's well-being.

Democracy means ‘rule by the people.’ This implies that people participate in shaping the decisions that affect them most closely. This is a significant feature of individual and societal well-being according to Amartya Sen (Sen, 1999). This includes people having the freedom and the processes to express themselves politically and creatively. While we live in a democracy and freedom of expression is accepted in theory at least, there are problems with the current model. What we have, in practice, is a highly centralised government in which we are ‘represented’ by professional politicians. The more powerful a political party becomes, the more distant it seems to become from the electorate. Party policies on a range of major issues are often difficult to discern. Backbenchers have little control over, or influence on, government ministers, opposition spokespersons or shadow cabinets. Even within the cabinet some ministers seem to be able to ignore their cabinet colleagues. This makes participation in real terms difficult.

The democratic process has certainly benefited from the participation of various sectors in other arenas such as social partnership. It would also benefit from the development of a new social contract against exclusion and a new forum for dialogue on civil society issues.¹⁰³ However there is also a need to move towards deliberative democracy and to develop structures where power differentials are neutralised. This would produce a situation where far more emphasis was given to the analysis of situations, to the alternatives proposed and to the implementation pathways being identified.

4. Sustainability (economic, environmental and social) is at the core of all policy-making

The search for a humane, sustainable model of development has gained momentum in recent times. After years of people believing that markets and market forces would produce a better life for everyone, major

¹⁰³ For a further discussion of these issues see Healy and Reynolds (2003: 191-197).

problems and unintended side effects have raised questions and doubts. There is a growing awareness that sustainability must be a constant factor in all development, whether social, economic or environmental.

This fact was reiterated by Kofi Annan, the then-Secretary-General of the United Nations, at the opening of the World Summit on Sustainable Development in Johannesburg, South Africa (September 2002). There he stated that the aim of the conference was to bring home the uncomfortable truth that the model of development that has prevailed for so long has been fruitful for the few, but flawed for the many. And he further added that the world today, facing the twin challenges of poverty and pollution, needs to usher in a season of transformation and stewardship – a season in which we make a long overdue investment in a secure future.

Sustainable development has been defined in many different ways. Perhaps the best-known definition is that contained in *Our Common Future* (World Commission on Environment and Development, 1987:43): development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

It is crucial that the issues of environmental, economic and social sustainability be firmly at the core of the decision making process if the well-being of all, today and into the future, is to be realised. Principles to underpin sustainable development were suggested in a report for the European Commission prepared by James Robertson in May 1997. Entitled *The New Economics of Sustainable Development*, the report argues that these principles would include the following:

- systematic empowerment of people (as opposed to making and keeping them dependent) as the basis for people-centred development
- systematic conservation of resources and environment as the basis for environmentally sustainable development
- evolution from a “wealth of nations” model of economic life to a “one-world” economic system

- evolution from today's international economy to an ecologically sustainable, decentralising, multi-level one-world economic system
- restoration of political and ethical factors to a central place in economic life and thought
- respect for qualitative values, not just quantitative values
- respect for feminine values, not just masculine ones.

At first glance, these might not appear to be the concrete guidelines that policy-makers so often seek. Yet they are principles that are relevant to every area of economic life. They also apply to every level of life, ranging from personal and household to global issues. They impact on lifestyle choices and organisational goals. They are at least as relevant today as they were when first proposed in 1997. If these principles were applied to every area, level and feature of economic life they would provide a comprehensive checklist for a systematic policy review.

5. What matters is measured

A central initiative in putting sustainability at the core of development would be the development of “satellite” or “shadow” national accounts. Our present national accounts miss fundamentals such as environmental sustainability. Their emphasis is on GNP/GDP as scorecards of wealth and progress. These measures, which came into widespread use during World War II, more or less ignore the environment, and completely ignore unpaid work. Only money transactions are tracked. They fail to register the benefits of the welfare state. On the other hand they do count its failures. For example, when children are cared for in the home no monetary value is added to GNP/GDP. On the other hand if the child is cared for in a crèche the costs involved are added. Even more dramatic costs are added if the child has to be cared for by the state. Similarly, while environmental depletion is ignored, the environmental costs of dealing with the effects of economic growth, such as cleaning up pollution or

copied with the felling of rain forests, are added to, rather than subtracted from, GNP/GDP. New scorecards are needed.

If well-being is the purpose of the welfare state then it is important that data is collected and analysed on the main indicators of well-being. The OECD has done a great deal of work on this issue in recent years and produces a regular publication on social indicators called *Society at a Glance*. The OECD global project on measuring progress and some of the challenges it faces were addressed at some length in a recent publication in this series (Morrone, 2009). The OECD states that “social indicators aim to provide information on well-being beyond that conveyed by conventional economic measures” (OECD, 2007, p.20). Such indicators matter in the assessment of well-being. Measuring what matters should be a key component of the future welfare state.

6. Complete health is promoted

Health is a major element of well-being. People’s health is influenced by social conditions such as poverty, social exclusion, discrimination, inappropriate accommodation, a polluted environment and lack of community networks (World Health Organisation, 2004; Farrell et al., 2008). A few statistics on Ireland will serve to illustrate that this is so:

- Between 1989 and 1998 the rates for all causes of death in Ireland were over three times higher in the lowest occupational class than in the highest.
- The death rates for all cancers among the lowest occupational class is over twice as high as it is for the highest occupational class, it is nearly three times higher for strokes, four times higher for lung cancer, six times for accidents.
- Perinatal mortality is three times higher in poorer families than in richer families.

- The incidence of chronic physical illness has been found to be two and a half times higher for poor people than for the wealthy.
- The rate of hospitalisation for mental illness is more than 6 times higher for people in the lower socio-economic groups as compared with those in the higher groups.
- The incidence of male suicide is far higher in the lower socio-economic groups as compared with the higher groups.
- The 1998 and 2002 National Health and Lifestyle Surveys (SLAN) found that poorer people are more likely to smoke cigarettes, drink alcohol excessively, take less exercise, and eat less fruit and vegetables than richer people. Poorer people's lifestyle and behavioural choices are directly limited by their economic and social circumstances.

Promoting complete health would involve addressing issues such as life expectancy, healthy life years, access to healthcare services, chronic illness, mental illness and many related aspects of health. It would also involve addressing the fact that people with lower levels of education or low income, for example, face a higher risk to their well-being. Producing such an approach to health is more than challenging at the present time. A major re-structuring and huge increases in public expenditure in Ireland are not seen to have delivered a better system or improved people's overall health or well-being.

The health system should take a 'whole of health' approach and consider its purpose to be the promotion of complete health, defined by the World Health Organisation as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity."¹⁰⁴ A substantial proportion of the expenditure on health goes on medical provision. Policy-makers recognise there is a need to move from a medical

¹⁰⁴ Preamble to the Constitution of the World Health Organisation as adopted by the International health Conference, New York, 19-22 June, 1946; signed on 22 July 1946 by the representatives of 61 states and entered into force on 7 April, 1948. This definition has not been amended since 1948.

model to become more prevention oriented. There is still a long way to go. Far higher priority should be given to prevention, primary, community and continuing care.

7. The focus of education is broadened to ensure it produces fully rounded human beings

Education is another essential part of people's well-being. It contributes to human flourishing by enabling people to acquire knowledge and develop their capabilities. It can promote well-being of the person by helping their own development and it can promote the well-being of society by engaging the person in development at that level. It is also closely linked to people's job opportunities. Education can be an agent for social transformation. It can be a powerful force in counteracting inequality and poverty. However, it needs to be acknowledged that, in many ways, the present education system has quite the opposite effect. Recent studies in Ireland confirm the persistence of social class inequalities which are seemingly ingrained in the system. Even in the context of increased participation and economic boom, the education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations.

Early school leaving is a particularly serious manifestation of wider inequality in education, which is embedded in and caused by structures in the system itself. We believe that the core objective of education policy should be: to provide relevant education for all people throughout their lives, so that they can participate fully and meaningfully in developing themselves, their community and the wider society. Education should help to create capable and emotionally well-rounded people who are happy and motivated.

As in health, there should be a holistic approach to education. The curriculum should include the opportunity to cultivate the variety of 'intelligences' people have including musical, spatial, physical, interpersonal and intrapersonal.¹⁰⁵ The key should be the development of

¹⁰⁵ For further development of this issue see H. Gardner (1993).

an education system focused on producing fully rounded human beings who can live in solidarity with other human beings and the environment in which they live.

8. Adequate and appropriate accommodation is available for all

The availability of appropriate accommodation is essential in any model of a welfare state. A secure and pleasant place in which to live is a basic requirement for human flourishing. The official objective of Irish housing policy is “to enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment, and as far as possible, at the tenure of its choice” (Department of Environment at www.environment.ie). Despite huge growth in the numbers of housing units built annually in Ireland in the period 1988-2006 (up from 14,204 dwellings to 82,979), Ireland failed to address its social housing needs problem. The number of households on local authority waiting lists more than doubled from 27,427 in 1996 to 56,249 in 2008. This failure was exacerbated by a housing price bubble which saw house prices rise dramatically.

Central to the welfare state in the coming years should be an approach that sees housing as a home rather than a market commodity (Drudy, 2005, 2006). Drudy points out that there is a fundamental philosophical question that should be addressed concerning the purpose of a housing system. Should it be a system to provide investment or capital gains for those with the necessary resources or should its critical aim be to provide a home as a right for all citizens? In his view Ireland should move away from seeing housing as a commodity to be traded on the market like any other tradable commodity; and to accept the latter opinion that views housing as a social requirement like health services or education. This is a view with which the authors agree.

9. All cultures are respected

Ensuring the welfare state is available to and benefits everyone is especially challenging in difficult economic times. This challenge can be even greater in a society with different cultures, different expectations and different understandings of well-being. Since the beginning of time people have been divided because of their different cultures, values and beliefs. Centuries have passed and societies still have problems with the acceptance of others. In the recent past Ireland experienced substantial immigration as tens of thousands of people from abroad were needed to meet the employment needs of, and sought to benefit from, the Celtic Tiger. A well functioning welfare state focusing on the well-being of all would structure itself so that all can contribute to the underpinning values and meaning of society and have their own culture respected and valued in the process.

10. Social capital, civil society, social well-being and active citizenship are strengthened.

Many of the aspects already outlined have implications for civil society, social well-being and active citizenship. Research produced in recent years shows the profound importance of communities and relationships in determining people's quality of life. Robert Putnam describes social capital as "features of social organisation, such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefit". He argues that the major components of social capital are trust, norms, reciprocity and networks and connections. Social capital has been shown to have positive economic effects while also impacting on people's health and general well-being. It has also been shown that community engagement not only improves the well-being of those who are engaging in such activity but also improves the well-being of others.

In his perceptive analysis Tom Healy reminds us that David Myers defines well-being, at its simplest, as: 'the pervasive sense that life has been and is good. It is an ongoing perception that this time in one's life,

or even life as a whole, is fulfilling, meaningful, and pleasant.’ However, Tom Healy goes on to point out that well-being goes well beyond mental states of pleasure, happiness or satisfaction for individuals, important as these are. Social well-being concerns the match between our goals and the kind of life we experience. In other words it concerns what we value and seek and how we evaluate our lives in this light.¹⁰⁶ Drawing on reflections from Aristotle to latter-day philosophers like Amartya Sen we can say that well-being involves coherence between the moral ends and chosen values of an individual or society, and the objective circumstances of life as perceived by them. The welfare state has a huge role to play in delivering such an outcome.

Two key issues concerning pathways towards a 21st century welfare state

There are a wide range of issues that need to be addressed if pathways are to be found towards an appropriate welfare state in the twenty first century. We wish to raise two of these in the final section of this chapter i.e. the issue of financing and the issue of responsibility.

The issue of financing

Following on the understanding of the purpose of the welfare state, the issue of financing is of critical importance. Idealism, aspiration and expectation must be matched by resources. If the welfare state cannot be funded in the future then it will not survive. In fact the political acceptability of any developments in the welfare state is closely linked to economic sustainability. While the world continues to be organised economically as a capitalist market economy there will be pressure to ensure that the cost of the welfare state does not fall too heavily on market enterprises so as not to impede free competition in production and trade. Despite benefiting generously from the advantages of the welfare state,

¹⁰⁶ For further elaboration on this see Tom Healy (2005)

the middle classes are often reluctant to support a generous level of redistribution. The cost of financing the various components of the welfare state has, for the most part, been rising. Simultaneously, the fact that people live longer has also been increasing the costs. There may well be further pressure on funding as improving living standards may lead some to feel they don't need the welfare state. At the same time there may be a growing tendency to reduce the redistribution element by providing support only for the 'deserving' poor.

These developments suggest the welfare state needs to provide a comprehensive rationale to explain and justify demands. Firstly, there will be a growing demand for transparency. People will want to know precisely who is paying what for the welfare state and who is gaining what from it. This should be possible without too much difficulty given the world's improved technological capacity. However, the results will have to be reliable and verifiable. There have been some recent examples where the level of accuracy and of transparency left a great deal to be desired (cf. For example, Social Justice Ireland, 2010).

Secondly, there may be a demand to ensure social justice. This is not just an issue about adequacy, which of course is a critically important issue. There is also a need to ensure that the welfare state promotes the human dignity of participants and the common good as core values.

A third issue that has already arisen is the issue of people living longer. This would not be a problem for the welfare state as long as people extended their 'working' lives beyond the traditional retirement age. In the 1980s a century-long process of reduction in the working age in the US was reversed. The UK saw a similar reverse emerge about 1995. More recently other OECD countries have been following this trend. Another approach is the one adopted by Sweden and Germany where they reformed their pension systems and built in automatic reviews of the level of pension payments to ensure they remain in line with the increasing life expectancy. An interesting comparative statistic was produced by the UK's Pension Commission which showed that in 1950 the average male spent 17 per cent of his adult life in retirement. By 2000, it had risen to 31 per

cent. The Commission argued that this could not continue to rise. They proposed that retirement be accepted as the norm for about 30 per cent of adult life and that the age when one becomes eligible for a state pension should be raised as required to meet this target.

A fourth aspect of the financing issue concerns its sustainability. For example, the EU countries will have to increase the percentage they spend on social welfare payments by about 4 per cent of GDP to meet the costs of current welfare payments and promises made for the future. When one extends the number of countries involved to include all OECD countries then the requirement rises to between 5 and 6 per cent. These increases are definitely feasible. Ireland is in a slightly different situation as its population is much younger and the aging of the population experienced by most EU countries is still a few decades away. However, Ireland's social expenditure is one of the lowest in the EU at 18.9 per cent compared to an EU-27 average of 26.2 per cent of GDP. Given that Ireland's pension provision is far less generous than most EU-15 countries it should be possible to meet the rising costs with something to spare and remain one of the low-spend countries in terms of social spending.

A fifth aspect of financing in the future concerns alternatives to raising taxes. Different approaches are emerging where people are encouraged or forced to support their own social provision. In Sweden, for example, 2.5% of workers earnings must be invested in privately-funded pensions. Private health insurance is now compulsory in the Netherlands. Compulsory health insurance is also imposed in some states in the USA and the US government is moving towards near-universal healthcare coverage. Various forms of graduate taxes have been introduced to fund third level education.

A sixth area of activity in addressing the issue of financing has been and will continue to be the move to reduce or eliminate disincentives to taking up paid employment. Maximising labour-force participation is seen as the key to providing the funding required for the welfare state. So we may well see increased subsidisation for low-paid jobs and increased funding for training programmes for those who are unemployed. Some may move

towards a workfare approach to labour market activation even though the evidence suggests that this is a high-cost route to take. Another approach might be the development of voluntary programmes where those in receipt of unemployment payments could work in the public or the community and voluntary (non-profit) sector doing real jobs for the going hourly 'rate for the job'. They could work the required number of hours to receive their unemployment payment (up to a maximum of half the normal length of the working week) and then be free to take up any further employment that was available and pay tax in the normal way.

Failure to address the financing issue could lead to a situation where a large proportion of a society's population was unable to provide privately for its welfare while no alternative was available to them. Historically, such a problem has led to the elimination of the existing social order and its replacement with some form of totalitarian, collectivist regime which in turn failed. The twentieth century has made great progress in recognising and supporting human rights. But rights can become an illusion unless the financing to deliver these rights is secured and sustained.

The need for shared social responsibility

If a pathway is to be found to securing everyone's well-being through the welfare state or through any other means, the issue of responsibility must be addressed. If a democratic society is to function effectively then the exercise of responsibility is both a right and an obligation. Given the current situation of crisis across the world in so many contexts e.g. economic, political, cultural, environmental and social, and given the collapse of confidence in key institutions ranging from the economy to church, from banking to the legal to politics, the issue of responsibility needs to be highlighted.

Nation states and the world itself are facing huge challenges to rebuild confidence and to find credible responses to the challenges already identified in this chapter. To achieve this it is essential that the understanding of responsibility for the well-being of all be re-defined and

broadened. It should be understood as meaning a responsibility that is shared by all, that is exercised by all in the context of their capacity and capability. It should also mean that this responsibility is shared by individuals, by institutions and by society generally, including governments. Given the inter-dependence of so much of modern life and the process of globalisation it is crucial that people and nation states recognise the global nature of many of the problems they face and recognise that addressing these effectively requires that all accept they have a shared responsibility for developing and implementing a viable alternative to the present system.

Sharing responsibility must be at the core of any credible pathway forward. We have argued already in this chapter that the economy should be at the service of people, of the present and future generations, rather than people being at the service of the economy. A viable future also requires conservation of the planet as the common home of humanity and of life in general. None of this will happen unless there is a new approach that recognises and acts on the need for an approach based on shared responsibility.

There are many rights that have been secured in the European Convention on Human Rights and Fundamental Freedoms, the revised European Social Charter and the European Union's Charter of Fundamental Rights; likewise, with the UN Declaration on Human Rights and other similar instruments. But actually having those rights vindicated and delivered in practice requires that responsibilities to others alive today and in the future be recognised and addressed pro-actively.

In finding a way out of the current series of crises it is crucial that the unequal impact of these crises on different groups be recognised. Poor and/or vulnerable people suffered most as a result of these crises. These are the same people who bear least responsibility for the mechanisms which produced these crises. In many cases they are the people who have to pay a lot more tax to rescue these mechanisms (such as the banking system) and who see the services provided by the welfare state eroded as governments' finances are re-directed to the rescue of these same banks.

In practice what this situation shows is that some people who have more power and information are able to minimise or eliminate their own responsibility for what happens while vulnerable people who have no say and did not cause the problems are left carrying much more of the responsibility.

If there is to be a viable, desirable future where everyone's well-being is secured and promoted then it is crucial that social responsibilities be shared more fairly between governments, citizens, business, civil society, faith communities and all others involved in any manner. All actors should be involved in developing a shared vision of the future based on some shared values and developing pathways towards that vision at a wide range of levels. For this to happen, a genuinely participatory process is required. As we have outlined already we favour a deliberative process in which power differentials are neutralised.

In arguing for shared social responsibility to be at the core of a new approach, we see social responsibility going far beyond the obligation to answer for one's actions; it also includes approaching issues with a perspective that includes promoting the well-being of others including future generations. We also realise that not everyone can be involved in shaping all decisions. However, we believe shared social responsibility involves a commitment to generating a consensus concerning both the vision and the pathways and then involving people in different situations in deciding how best to move forward within these parameters. In practice this requires major reorganising at the political, economic and social levels. In recent decades the demand for autonomy and for freedom of choice produced an approach that relied to a great extent on self-regulation of individuals and markets. That model has failed. We now require an approach that links autonomy, as the ability of each individual to manage his/her own existence in accordance with a freely chosen lifestyle, to social justice in which individual preferences are balanced against the group interest and each person's fundamental rights.

References

- Adema, W. And M. Ladaique, (2009) *How Expensive is the Welfare State?* OECD, France
- Bryson, L. (1992) *Welfare and the State: Who Benefits?* Basingstoke, Macmillan.
- Department of Social, Community and Family Affairs (2000), *Supporting Voluntary Activity*, Dublin, Stationery Office.
- Farrell, C, H. McAvoy and J. Wilde (2008) *Tackling Health Inequalities: An All-Ireland Approach to Social Determinants*, Dublin: Institute of Public Health and Combat Poverty Agency.
- Gaudium et Spes, Pastoral Constitution on the Church in the Modern World*, 1965 accessed at: http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_cons_19651207_gaudium-et-spes_en.html
- George, V. (2010) *Major Thinkers in Welfare: Contemporary Issues in Historical Perspective*, Bristol, The Policy Press.
- Healy, S. and Reynolds, B. (2009), *Beyond GDP: What is progress and how should it be measured?* Dublin: Social Justice Ireland
- Healy, S. and Reynolds, B. (2008), *Making Choices, Choosing Futures*, Dublin: CORI Justice Commission.
- Healy, S. and Reynolds, B. (2005), *Securing Fairness and Wellbeing in a Land of Plenty*, Dublin: CORI Justice Commission.
- Healy, S. and B. Reynolds (2003), “Ireland and the Future of Europe – a social perspective” in Reynolds B. and S. Healy (eds.) *Ireland and the Future of Europe: leading the way towards inclusion?* Dublin, CORI.
-

- Healy, S. and Reynolds, B. (1996), "Progress, Values and Public Policy" in Reynolds, B. and Healy, S. (eds.), *Progress, Values and Public Policy*, Dublin, CORI, pp. 11-59.
- Healy, S. and Reynolds, B. (1993), "Work, Jobs and Income: Towards a new Paradigm" in Reynolds, B. and Healy S. (eds.), *New Frontiers for Full Citizenship*, Dublin: CMRS.
- Leonard, P. (1997) *Postmodern Welfare: Reconstructing an Emancipatory Project*, Sage Publications, London.
- Jamrozik, A. (2001) *Social Policy in the Post-Welfare State*, Longman, Sydney.
- Mishra, R. (1990) *The Welfare State in Capitalist Society: Policies of Retrenchment and Maintenance in Europe, North America and Australia*, Harvester Wheatsheaf, Hemel Hempstead.
- Morrone, A. (2009), The OECD Global Project on Measuring Progress and the challenge of assessing and measuring trust in B. Reynolds and S. Healy, *Beyond GDP: What is prosperity and how should it be measured?* Social Justice Ireland, Dublin.
- National Economic and Social Council, (2009) Report 119 Vol. 1, *Well-being Matters: A Social Report for Ireland*, Dublin, NESCC.
- Orenstein, M.A. (2000) *How Politics and Institutions affect Pension Reform in Three Post-Communist Countries*, Policy Research Working Paper. Washington DC: World Bank.
- Oyen, E. (1986) 'The Sociology of Social Security' Editorial introduction, *International Sociology*, vol 1, no 3, pp 219-21.

- Rawls, J. (1971) *A Theory of Justice*, Harvard University Press, Cambridge, Mass.
- Rys, V. (2010) *Reinventing social security worldwide: Back to essentials*, Bristol: The Policy Press.
- Pierson, P. (1994) *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, Cambridge University Press, Cambridge.
- Sen, A. (1999) *Development as Freedom*. Oxford University Press, Oxford.
- Social Justice Ireland, (2010) *Building a Fairer Tax System: The working poor and the cost of refundable tax credits*, Dublin, Social Justice Ireland: Policy Research Series.
- Thaler, R. H. And C. R. Sunstein, (2008) *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Yale University Press: New Haven & London
- Timonen, V. (2003) *Restructuring the Welfare State: Globalization and Social Policy Reform in Finland and Sweden*, Edward Elgar, Cheltenham.
- Wilkinson, R. and K. Pickett, (2009) *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Penguin, London.
- World Commission on Environment and Development, (1987) *Our Common Future*, Oxford University Press, Oxford.
- World Health Organisation, (2004) *Commission on the Social Determinants of Health (CSDH): Notes b the Secretariat, Document number EB115/35*. WHO: Geneva.