

The Development of Welfare States

Society and Economy

Faculty of Economics,
Thammasat University

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Jesper Kulvmann

Department of Social Policy and Development

Faculty of Social Administration

Thammasat University

Outline of lecture

- Definition of concepts
 - Dimensions of a welfare state
- Analyzing welfare states
- Development of the welfare state
- Welfare states in the 21st century
- Welfare state development in Thailand
 - Existing welfare provision
 - Challenges setting up a welfare state in Thailand

Conceptions

Well-being

- Good health
- Economic security
- Individual vitality
- Rewarding social relationships
- Sound interaction with circumstances

Conceptions

Social welfare

- Activities enabling individuals, families, groups or communities to cope with social problems
- Social welfare in a developmental perspective:
The **effective mobilization and deployment** of human and material resources of the country to deal successfully with the social requirements of change, thereby participating in **nation-building**.

Conceptions

Types of social Welfare institutions

- Family
- The Market (private provisions)
- Voluntary and community organizations
- The Welfare State



Definition of Welfare state

- Provides or pays for social services, seen as social goods



**EQUAL
ACCESS ??**

Definition of welfare state

What are welfare states?

- C. Pierson (2006) offers a **narrow and a broader** definition:
 - *‘In a narrow sense, the welfare state may refer to state measures for meeting key welfare needs (often confined to health, education, housing, income maintenance and personal social services).*

Definition of welfare state

- C. Pierson (2006):
 - Organized power used in an effort to modify the play of market forces in at least three dimensions.
 1. Guaranteeing minimum income.
 2. Narrowing insecurity by enabling to meet certain contingencies. (unemployment)
 3. Regardless of social status all are offered the best standards available of certain social services.

Definition of welfare state

- Increasingly **broad definition**, can also refer to society in which state ‘intervenes within the processes of economic reproduction and distribution to reallocate life chances between individuals and/or classes’

C. Pierson (2006)

Definition of welfare state

- *Redistribution* of income and *redistribution* of wealth are respectively the transfer of income and of wealth (including physical property) from some individuals to others by means of a social mechanism such as taxation, monetary policies, welfare, land reform, charity, ...

(wikipedia)

Definition of Welfare state

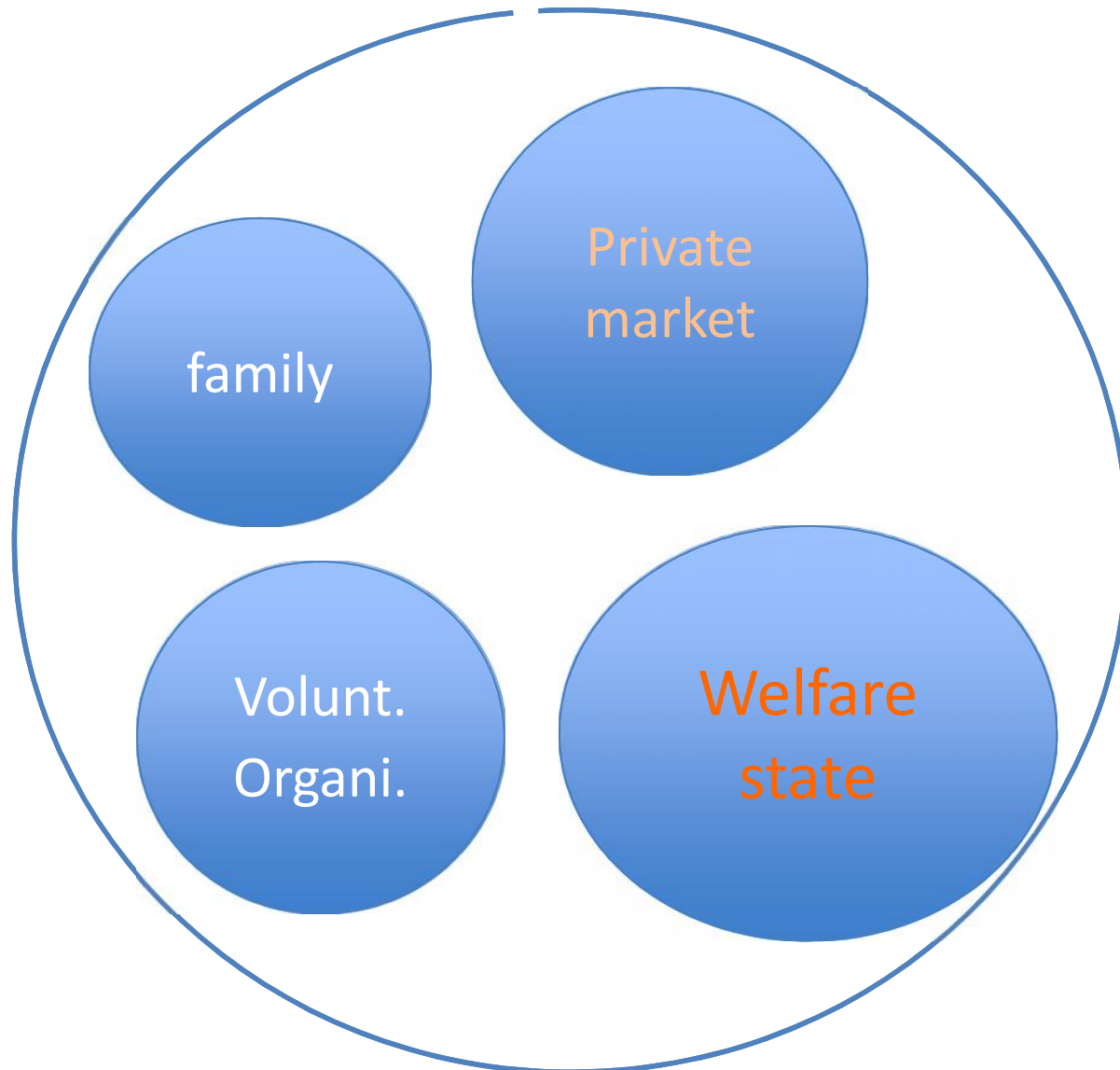
- Redistribution
 - Degree of equality
- Key institutions developing, shaping and maintaining the social and economic structure of a society



REDISTRIBUTION
OF WEALTH IS
THEFT



Welfare Institutions of a country

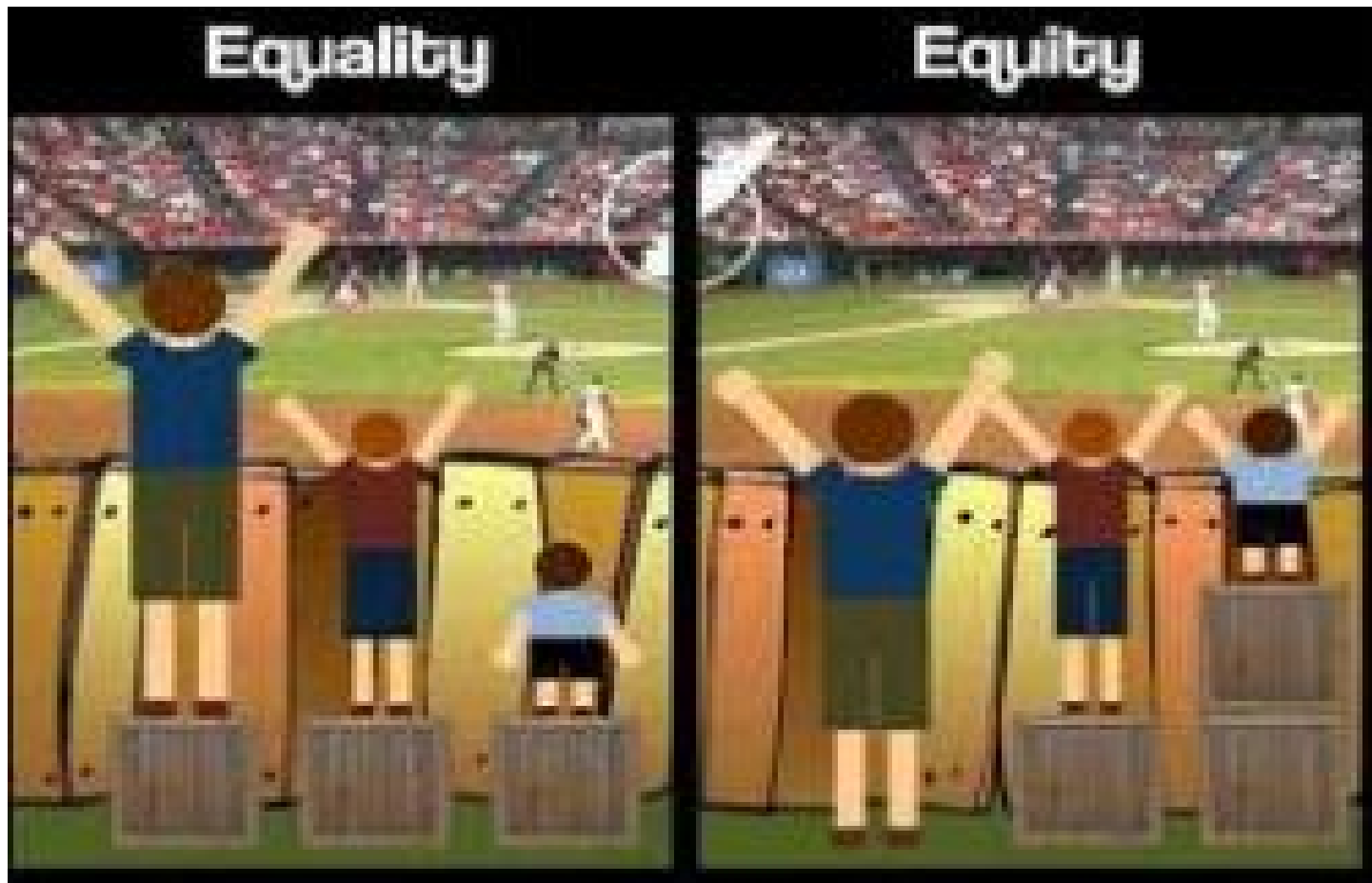


Analyzing the welfare state

- **State** welfare in relation to **private (market)** welfare:
 - **State** welfare is able to respond to need - rather than demand backed up by ability to pay.
 - But **market** welfare – including services and financial products - can be seen as being more efficient (in terms of productivity and allocation).
- **State** welfare in relation to **voluntary** welfare:
 - **State** welfare can offer more coverage, and a more rights-based approach.
 - But **voluntary sector** welfare can be more responsive and personal.
- **State** welfare in relation to **informal** welfare:
 - **State** welfare can offer a more professional service, and a rights-based approach for care-givers and receivers.
 - But **informal** welfare – in contrast with ‘formal welfare’ - is often linked to ideas of love and moral ties and obligations (an ‘ethic of care’).

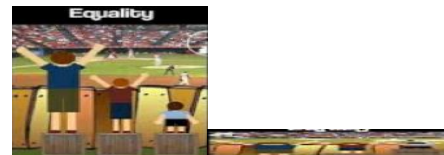
Analyzing the welfare state

Equality vs. equity



Liberal welfare state

- Universal health services and education.
- Social assistance restricted to low income.
- State services financed by taxes.
- Market/voluntary organizations to provide services.
 - Poverty reduction
 - Invisible hand of the market
 - Low taxation



Corperative welfare state

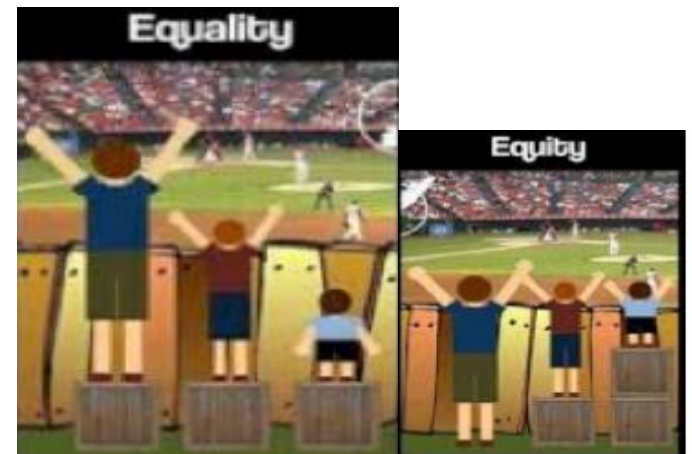
- Universal health care and education, including university.
- Social provisions, including health care, acquired through social insurance, linked to employment
- Many social benefits
 - granted according to contribution
 - Preservation of different status
 - Family orientated
 - Social cohesion, state building

– _____



Social Democratic welfare state

- Universal health care and education, including university
- Wide range of services, extended to all citizens (including the middle class), universal provision.
 - Kinder garden, pensions, sick leave, maternity leave unemployment benefits
- No role of the “market”
- Tax financed, progressive tax
 - _____
 - Equality (gender equality)
 - Nation building

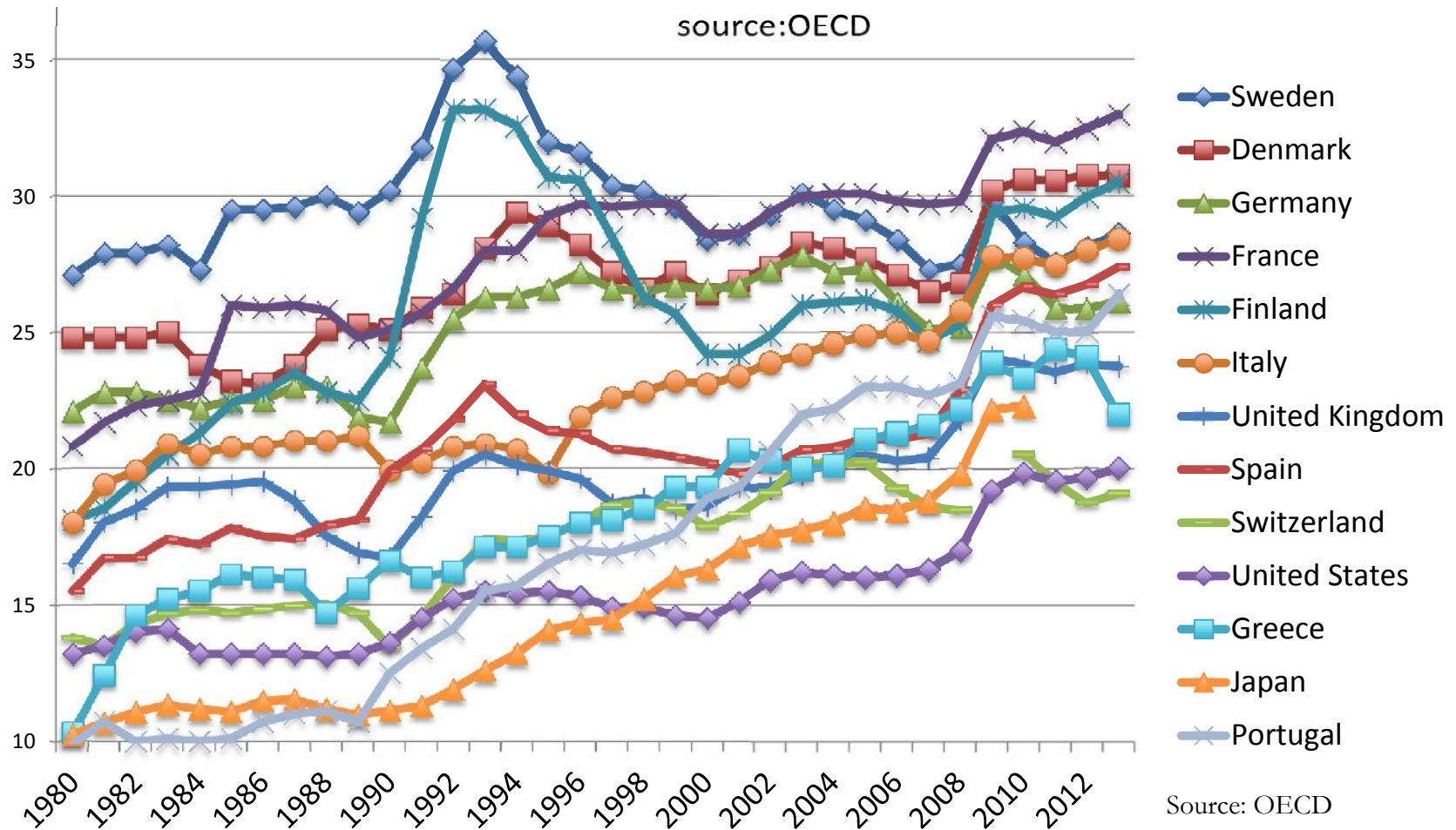


Comparison of types of welfare states

Three cases:

1. least comprehensive → liberal welfare state
(The US, The UK)
2. medium comprehensive → corporative welfare state (Germany)
3. Most comprehensive → The Social Democratic welfare state (Denmark)

Public expenditure of selected OECD Countries in Percent of GDP (1980-2013)



Pros and cons of the welfare states

Pros

Liberal welfare state

- Individualism
- Low taxes

Conservative welfare state

- High level of coverage
- Strengthening of family and nation building

Social democratic

- Universal
- Equality/equity
- Nation building

Cons

- Inequality/inequity
- No nation building
- Bureaucratic
- Direct costs on employers
- Welfare dependency
- High taxes
- Welfare dependency

Development of the welfare state

- Pre-welfare state social welfare relied on family, voluntary organizations and the church
- Industrialization in the 19th century leads to urbanization, demographic changes and dramatic alterations of family life and division of work.
- Around the turn of 19th century acknowledgement of responsibility of the state for the protection against unemployment, health and industrial accidents.

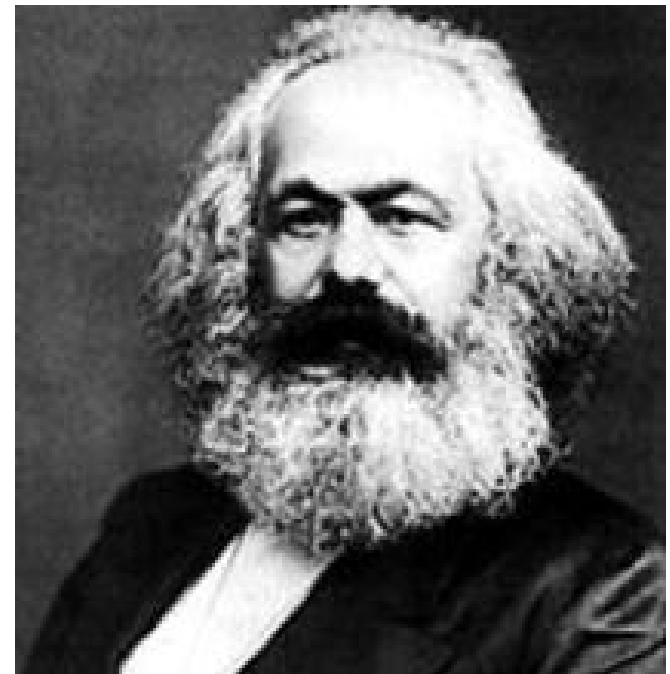
Development of the welfare state

Political development

- Fear of social unrest
- Development of insurance schemes for people at work (unemployment, health, pension)



versus



Development of the welfare state

Political development

- Growth of political democracy, rise of political citizenship, increased salience of “the social question”.
- Class mobilization: empowering of the working class through the expansion of political rights and the mobilization of the labour movement.
 - Labour parties and Labour unions political forces

World war 2



Development of the welfare state

Social citizenship

Social citizenship – T.H. Marshall (1893 – 1981)

- Rights linked directly to citizenship. Core idea of a welfare state.
 - Right based system of social welfare. Entitlement based on citizenship → Removing stigmatization of those receiving economic assistance
 - Equal access to services such as health provision, education, economic assistance for those in need, and other social services, etc.
- Social citizenship part of the evolution of citizenship

Development of the welfare state

Social citizenship

Aspects of social citizenship

- Social citizenship includes not only rights but also a duty to improve oneself and contribute productively to the economy of the nation.
- However, social rights imply some redistribution of goods.
- Normative concept, gained through political action.

Development of the welfare state

Two key overarching theoretical explanations for the initial development of the welfare state

- Industrialist theories
- Theory of modernization

Development of the welfare state

Industrialist theories

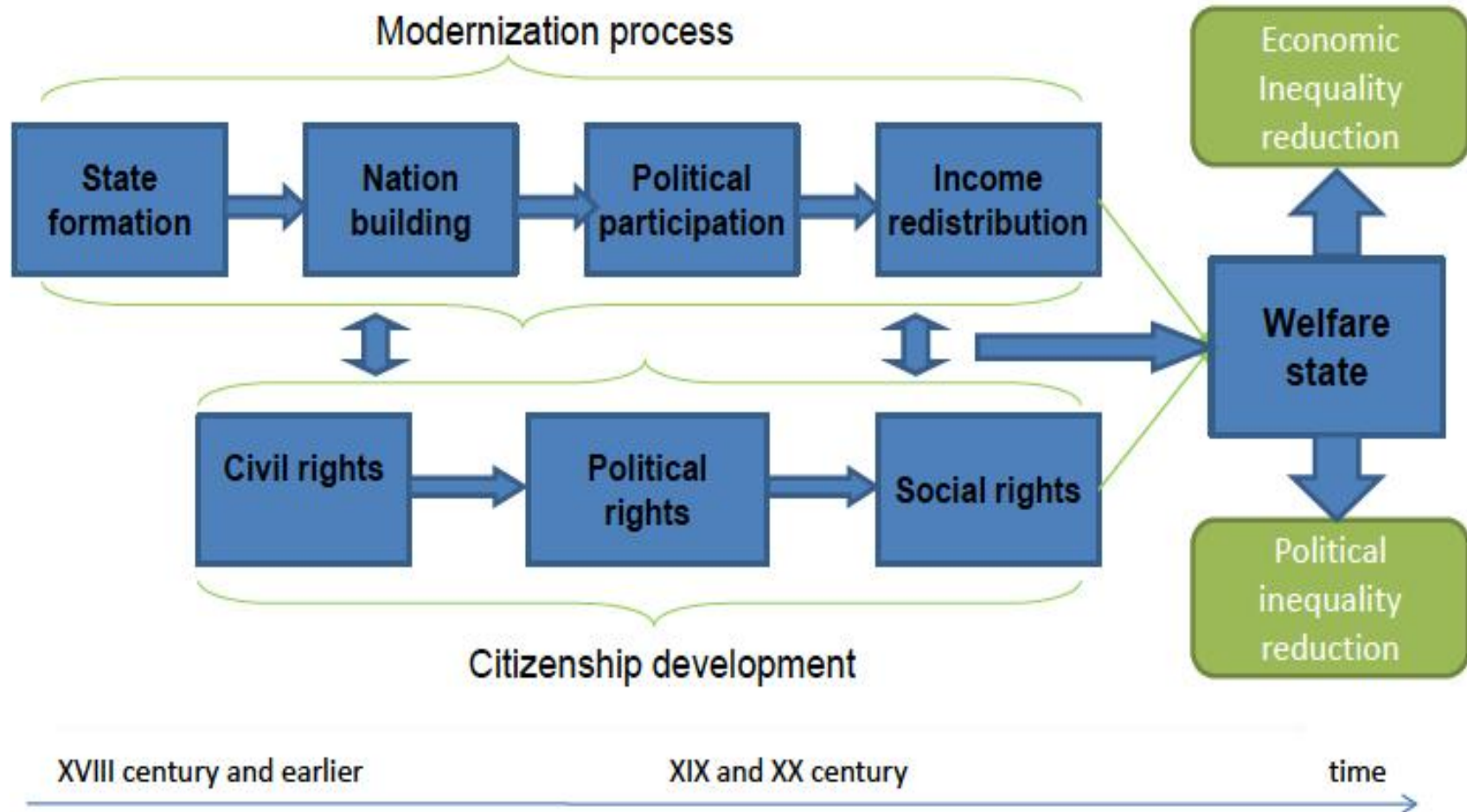
1. The welfare state is the logic of industrialization, response to men's needs, a necessity for the market economy.
 - Cyclical unemployment and changes to the patterns of family living created new needs.
 - Self-interest of the industry to maintain a healthy and educated work force.
2. The welfare state has developed on moral grounds.
 - Hardships of the working classes need to be rectified.

Development of the welfare state

Theory of modernization

- Industrial change and political revolution has led to the gradual development of social rights. Forces of mass democracy initiated the development of welfare states.
 - Class mobilization: empowering of the working class through the expansion of political rights and the mobilization of the labour movement, which became the catalyst for the collectivist struggle for social rights.

Welfare states post WW2: social citizenship



Welfare states in the 21st century

Challenges to welfare consensus

- Growing sense of crisis/breakdown of consensus from '70s
 - Costs problems
 - Growing unemployment, new risk groups
 - Moral problems
 - Concerns about “welfare dependency

Welfare states in the 21st century

Challenges to welfare consensus

- Management problems
 - State welfare too bureaucratic, centralized and monopolistic
- Responsiveness problems
 - Inequalities persist: middle classes benefiting more ? (Legrand).
 - With rising prosperity, unable to meet rising expectations and demands of the middle class

(Bennett, University of Oxford, 2014)

Thailand vs. Europe

	Thailand	Europe
Economy	capitalist	capitalist
institutions	Authoritarian	Democratic institutions
Labour market	Large informal sector	formal
Distribution of wealth	Big inequalities	Inequalities vary, but less than Thailand
Social provisions against contingencies	Few are covered	Generally universal coverage

Thailand: welfare provision

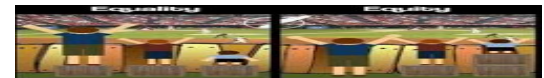
Pridi's lost ambition



- Pridi's 1933 economic plan involves the creation of the state/cooperative system that employ every Thais who are willing to work
- The primary goal of the plan was to promote the well-being of "all Thais".
- But his plan failed after facing resistance.

Productivist welfare state

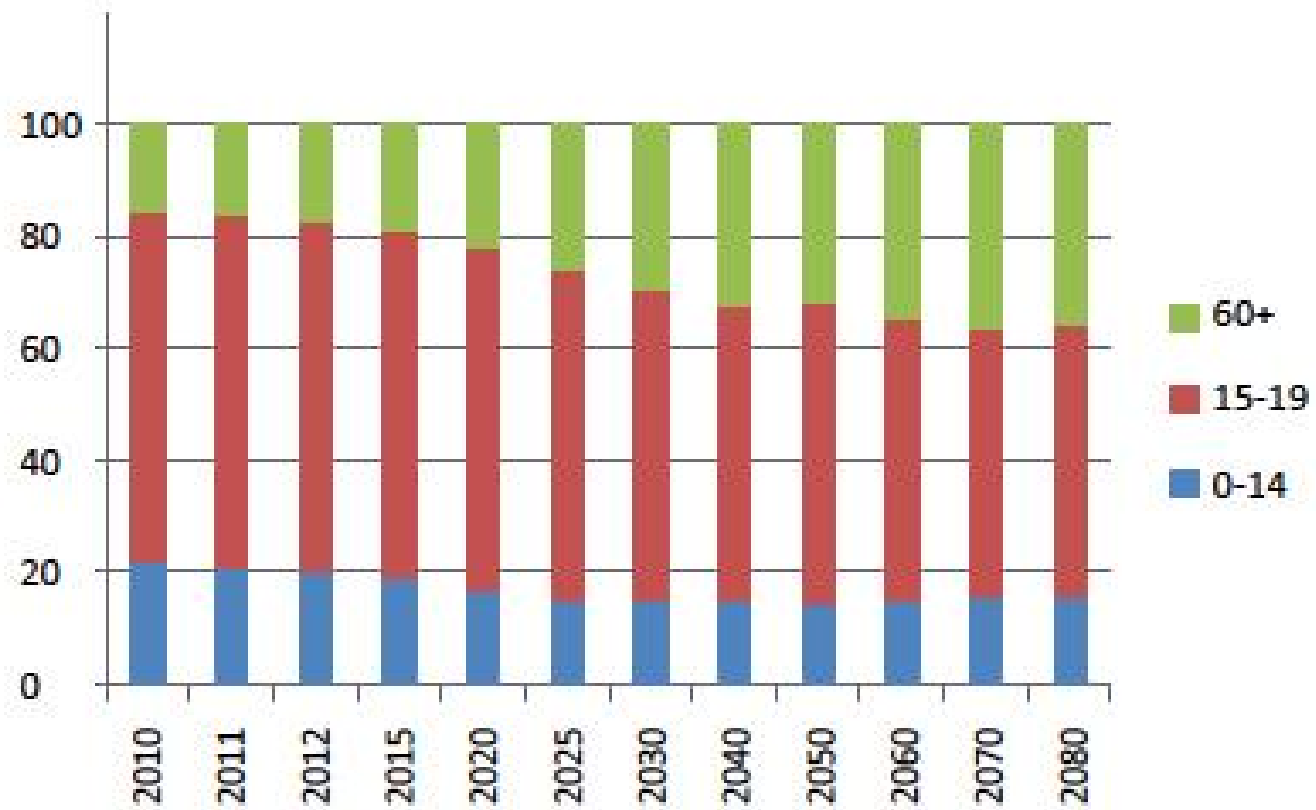
- Welfare state set up to develop economy
 - Social policy instrumental for economic development
- Sectors strategic for economic development favoured in terms of social protection
 - Employment based schemes
- Social development achieved by “trickle down system”
- Social role of family high
- Paternalistic traits
- Often developed in a context of authoritarian politics



Challenges for the productivist welfare state

Can a productivist welfare state meet the challenges of the future?

Social Problems: Ageing



Thailand: pension schemes

Elderly population, 60+, classified by formal and informal occupation

	2007	2008	2009
Formal Sector	1,729,098	1,813,541	1,814,766
Ex-Government Officials	1,664,013	1,727,858	1,726,444
Ex-SSO Members	65,085	85,683	88,322
Informal Sector	7,337,785	7,511,574	7,874,246
Total	9,066,883	9,325,115	9,689,012
Share (%)			
Formal	19.1	19.4	18.7
Ex-Government Officials	18.4	18.5	17.8
Ex-SSO Members	0.7	0.9	0.9
Informal	80.9	80.6	81.3
Total	100.0	100.0	100.0

Social Problems: Labour market

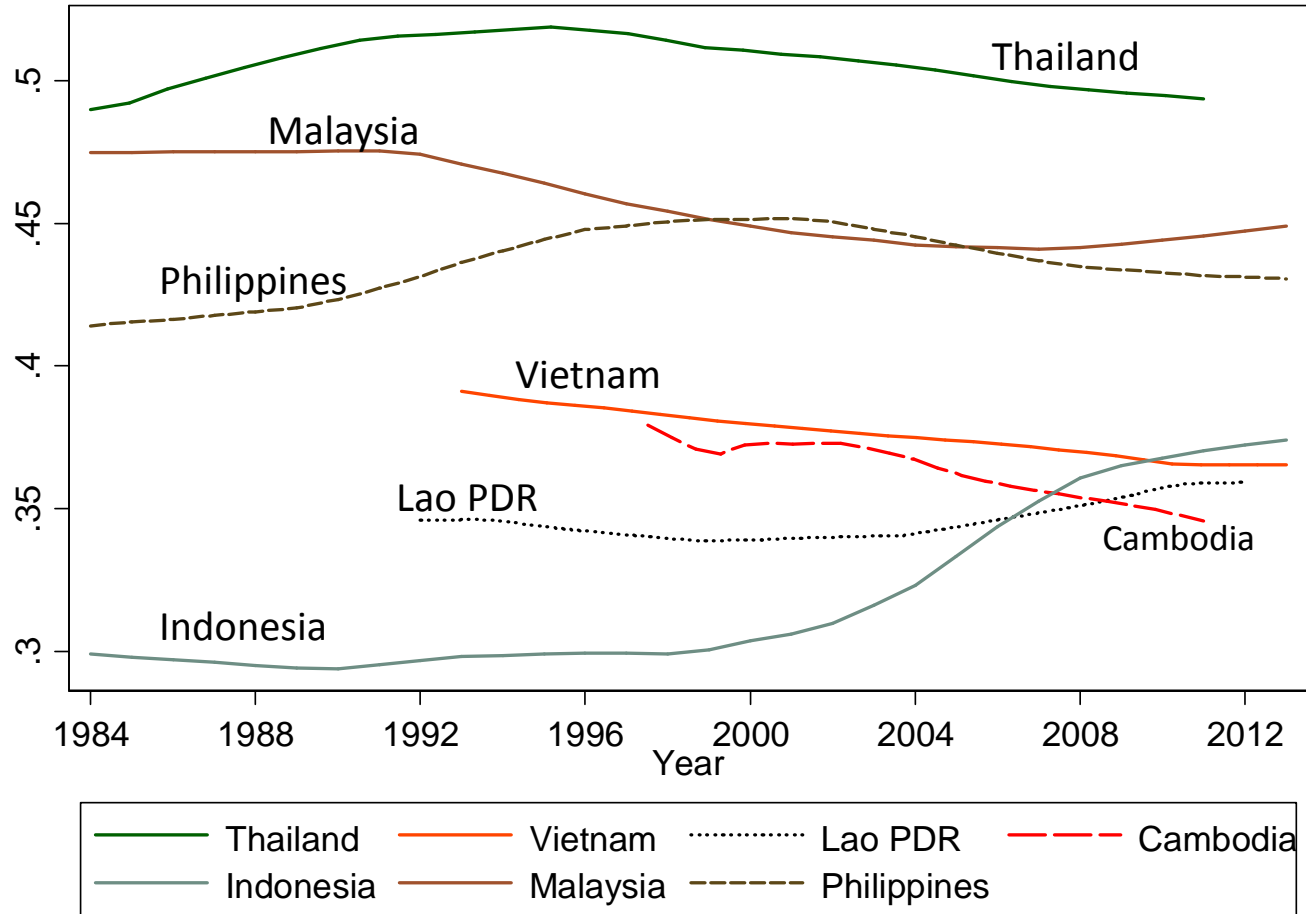
Table 1. Unemployment rate in East Asia (percent).

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Japan	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	n.a
China	3.0	3.1	3.1	3.1	3.1	3.6	4.0	4.3	4.2
Hong Kong	2.8	2.2	4.7	6.2	4.9	5.1	7.3	7.9	6.8
Korea	2.0	2.6	7.0	6.3	4.1	3.8	3.1	3.4	3.5
Malaysia	2.6	2.4	3.2	3.4	3.1	3.6	3.4	3.6	3.5
Singapore	3.0	2.4	2.5	3.6	3.5	2.8	4.3	4.7	4.0
Thailand	1.1	0.9	3.4	3.0	2.4	2.6	1.8	2.2	2.1
Taiwan	2.6	2.7	2.7	2.9	3.0	4.6	5.2	5.0	4.4

Sources: Asian Development Bank, Asian Development Outlook 2002, 2005. Figures for Japan: Japan Statistics Bureau, Japan Statistical Yearbook 2005, www.stat.go.jp/english/data/nenkan/1431-16.htm [date last accessed April 2006].

- Globalized capitalist economy low job security
- Increasingly flexible labour market threatens job security

Social problem: Income inequality



Source: smoothed estimate using data from the World Bank.

Social Problem

urban vs. rural development

- Increasing inequality between different social groups
 - The poor farmers vs. urban middle/upper class
 - Urban middle/upper class vs. urban poor
- Dramatic reduction in absolute poverty
 - 2 dollars a day (survival level)
 - 3.4%, 2005
- UN measure 2012
 - 12.6% (human development index)
 - More than 8 million people (approx. equivalent to the total population of Sweden)

Providers of social welfare: Thailand

Social provision	Social insurance	Tax funded	Privat	Universal
Education		X	X	(X)
Health	X	X	X	X
Unemployment benefit	X			
Sick compensation	X			
Maternity leave	X			
kindergarten				
Child benefit				
Pension	X	X	X	X

Challenges setting up a welfare state in Thailand

Social security scheme: employment based social insurance

- Short comings:
 - Excluding people in the informal labour market
 - only 25% of employed work force insured (14% of the population)
 - Compensation linked to size of premium
 - Inequality issues

Challenges setting up a welfare state in Thailand

Assistance limited to the poor: tax based

- Shortcomings:
 - Limited redistribution, inequality maintained
 - Disassociation of the disadvantaged in society
 - Social conflicts
 - Unresponsive to the needs of a modern economy

Challenges setting up a welfare state in Thailand

Universal welfare scheme: tax based (progressive)

- Shortcomings:
 - Big informal labour market
 - Limited tax foundation
 - Cultural barriers
 - (breach of traditions)
 - Aversion towards paying taxes

Challenges setting up a welfare state in Thailand

Institutional problems:

- Lack of democratic institutions and traditions
 - Transparent, non corrupt institutions
 - No “class parties”
 - Weak civil society
 - Eg. Weak labour unions
 - The disadvantaged have very limited voice
- Paternalistic culture
 - Family orientated
 - Rural traditions

Challenges setting up a welfare state in Thailand

- Funding
 - Welfare provisions may increase production costs.
Negative impact on competitiveness
 - Big informal labour market
 - More limited tax foundation
 - Aversion towards paying taxes

Tax rates in Thailand

Taxable Income (baht)	Tax Rate (%)
0-150,000	Exempt
more than 150,000 but less than 300,000	5
more than 300,000 but less than 500,000	10
more than 500,000 but less than 750,000	15
more than 750,000 but less than 1,000,000	20
more than 1,000,000 but less than 2,000,000	25
more than 2,000,000 but less than 4,000,000	30
Over 4,000,000	35

Inheritance tax

- From 2016, inherited assets above the value of 100 million baht for descendants will be taxed by 5%.
 - 40% above 16 million bath

Assets

- houses and lands
- Bank deposits
- Shares
- Automobiles

Challenges setting up a welfare state in Thailand

- Rural development most pertinent social issue
- Economic and social development in upcoming economies present different and more complexed social problems than industrialization of the “old world”.
- Traditional measures of social provisions may be ineffective in poor developed sections of the country.
- Social welfare provision may be redefined, stretching developmental policies.

The big questions

Can we develop a competitive economy without a more comprehensive welfare state?

Do we explain the development of the welfare state from an industrialist theory or from the theory of modernization?