Globalization and European Welfare States

Also by Robert Sykes

Developments in European Social Policy (edited with P. Alcock)

Also by Pauline M. Prior

**Gender and Mental Health*

Mental Health and Politics in Northern Ireland

**Also published by Palgrave*

Globalization and European Welfare States

Challenges and Change

Edited by

**Robert Sykes
Bruno Palier
and
Pauline M. Prior**

Consultant Editor: Jo Campling

palgrave

Selection and editorial matter © Robert Sykes, Bruno Palier and Pauline M. Prior 2001

Foreword © Adrian Sinfield 2001

Individual chapters (in order) © Bruno Palier and Robert Sykes; John Clarke; Colin Hay; Bob Deacon; Mary Daly; Ana M. Guillén and Santiago Álvarez; Zsuzsa Ferge; Pekka Kosonen; Norman Ginsburg; Pauline M. Prior and Robert Sykes 2001

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 0LP.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2001 by
PALGRAVE

Houndmills, Basingstoke, Hampshire RG21 6X5 and
175 Fifth Avenue, New York, N.Y. 10010
Companies and representatives throughout the world

PALGRAVE is the new global academic imprint of St. Martin's Press LLC
Scholarly and Reference Division and Palgrave Publishers Ltd (formerly
Macmillan Press Ltd).

ISBN 978-0-333-79018-2 hardback

ISBN 978-0-333-79239-1 ISBN 978-1-137-09783-5 (eBook)
DOI 10.1007/978-1-137-09783-5

This book is printed on paper suitable for recycling and
made from fully managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Globalization and European welfare states : challenges and change / edited by
Robert Sykes, Bruno Palier, and Pauline Prior; consultant editor Jo Campling.
p. cm.

Includes bibliographical references and index.

ISBN 978-0-333-79018-2

1. Public welfare—Europe. 2. Welfare state. 3. International cooperation.
4. Europe—Social policy. I. Sykes, Robert. II. Palier, Bruno. III. Prior,
Pauline. IV. Campling, Jo.

HV238.G56 2000

361.6'5'094—dc21

00-048302

10 9 8 7 6 5 4 3 2 1
10 09 08 07 06 05 04 03 02 01

For Lucas Palier

Contents

<i>List of Figures and Tables</i>	ix
<i>Foreword</i>	xi
<i>Acknowledgements</i>	xiii
<i>Notes on the Contributors</i>	xiv
<i>List of Abbreviations</i>	xviii
1. Challenges and Change: Issues and Perspectives in the Analysis of Globalization and the European Welfare States	
<i>Bruno Palier and Robert Sykes</i>	1
PART I GLOBALIZATION CHALLENGES	17
2. Globalization and Welfare States: Some Unsettling Thoughts	
<i>John Clarke</i>	19
3. Globalization, Economic Change and the Welfare State: The ‘Vexatious Inquisition of Taxation’?	
<i>Colin Hay</i>	38
4. International Organizations, the EU and Global Social Policy	
<i>Bob Deacon</i>	59
PART II EUROPEAN WELFARE STATE CHANGES	77
5. Globalization and the Bismarckian Welfare States	
<i>Mary Daly</i>	79
6. Globalization and the Southern Welfare States	
<i>Ana M. Guillén and Santiago Álvarez</i>	103

7. Welfare and ‘Ill-Fare’ Systems in Central-Eastern Europe <i>Zsuzsa Ferge</i>	127
8. Globalization and the Nordic Welfare States <i>Pekka Kosonen</i>	153
9. Globalization and the Liberal Welfare States <i>Norman Ginsburg</i>	173
PART III CONCLUSION	193
10. Globalization and the European Welfare States: Evaluating the Theories and Evidence <i>Pauline M. Prior and Robert Sykes</i>	195
<i>Bibliography</i>	211
<i>Index</i>	230

List of Figures and Tables

Figures

3.1	Openness and stateness: rhetoric and reality	44
3.2	Expected welfare expenditure assuming consistent levels of social provision and observed rate of unemployment	45
5.1	Globalization and the Bismarckian welfare state	84
5.2	Gross public debt as a share of GDP	87
5.3	Public deficit as a share of GDP	87
8.1	Foreign direct investments: outflows as % of GDP in 10 OECD countries, 1970–97	162
8.2	Restrictions on international capital movements in 12 OECD countries, 1960–96	163

Tables

3.1	The secular tendency of state expenditure to rise, 1970–95 (% of GDP)	41
3.2	Negative externalities of welfare expenditure	53
3.3	Positive externalities of welfare expenditure	55
4.1	The status of the EU in relation to international organizations	73
5.1	The composition of total tax revenue in Austria, Belgium, France, Germany and the Netherlands, 1985, 1990, 1995	88
5.2	Selected labour market indicators in Austria, Belgium, France, Germany and the Netherlands, 1985, 1990 and 1997	90
5.3	Expenditure related to unemployment as a share of GDP in Austria, Belgium, France, Germany and the Netherlands in 1985, 1990 and 1995	92
5.4	The financing of expenditure on social security in Belgium, France, Germany and the Netherlands, 1986, 1990 and 1993	94
5.5	Total social expenditure as a share of GDP in Austria, Belgium, France, Germany and the Netherlands in 1985, 1990 and 1995	95

6.1	Evolution of expenditure on social protection (%GDP) (1970–94)	110
6.2	Tax receipts as percentage of GDP (1970–94)	111
6.3	Unemployment rates (%) (1975–1995)	112
6.4	Long-term unemployment rate (% unemployment) (1985–95)	115
6.5	Evolution of budget deficit (%GDP)	118
6.6	Growth of social expenditure by function in purchasing power parities (1990–95)	119
7.1	Government revenue and expenditure in percentage of GDP in some Central-Eastern and Eastern European Countries, 1991–97	137
7.2	Per capita GNP and the change of real GDP in some Central-Eastern and Eastern European countries; Projected real GDP in 1999 (1989 = 100)	138
7.3a	Total state expenditures on social welfare–social policy in Hungary, 1989–96, in real value by year	139
7.3b	Detailed state social expenditures in Hungary, 1989–96, in % of the GDP and in real value (1989=100)	139
7.4	Public expenditure on family and maternity benefits in some Central-Eastern and Eastern European countries, 1989–95	141
7.5	Pension reforms in the transition countries	143
7.6	Reported number of regular and occasional social assistance per 10,000 population in some Central-Eastern and Eastern European countries	146
7.7	Implementing World Summit for Social Development Commitment in Central-Eastern and Eastern European countries	148
8.1	Income inequality in 13 OECD countries in the mid-1980s and mid-1990s, indicated by the Gini coefficient	158
8.2	The distribution of the financing of social expenses (%), Nordic countries 1975–95	159

Foreword

Globalization has become increasingly invoked as a ready explanation for all manner of developments and problems. It is perhaps even more frequently used to justify certain policies both between and within countries. A particular merit of this book is its refusal to accept the conventional wisdom on 'globalization'. Firmly rejecting the process as a given, it makes a strong case for a much more differentiated view of globalization. The central question posed by the editors is: how far, and in what ways, has the process of globalization been implicated in recent changes to European welfare states? The answers throw much light on the ways in which powerful actors, including global agencies, have shaped government as well as public perceptions of the phenomenon of globalization. It is not surprising that the concept and the process are socially and politically constructed, but the ways in which different models of globalization are shaped, circulated and indeed sold across countries deserve to be better known and taken into account by both policymakers and analysts.

The country chapters in the second part of the book provide valuable indications of the uses to which the 'imperative of globalization' has been put by different governments. The book as a whole helps us to understand how and why certain logics of globalization have become more dominant and influential than others. While these have been seen as demanding policies of welfare retrenchment in many countries, some governments have perceived the issues very differently and devised solutions which may be described as more welfare-friendly. This variety of responses to the problem of globalization revealed by the analyses from across Europe is one of the strengths of the study. It indicates alternative options which can usefully inform both policy and research.

The Social Policy Association (SPA) was founded over a generation ago to bring together teachers, researchers, practitioners and students to support the development of the study of social policy and administration. Over this time comparative social policy has become one of the strongest areas of growth. In recent years the SPA has been more active in its international work in a variety of ways, supporting the establishment of the European Social Policy Research Network and taking other initiatives to facilitate and improve contact, exchange and research among those working in social policy across many countries. The study day on

globalization where scholars from many countries discussed many of the topics developed in this book was organized and supported by the SPA. It is very good to have such an excellent outcome.

ADRIAN SINFIELD

President of the Social Policy Association

Acknowledgements

Many people have helped the editors and authors in the preparation of this book. They include family, friends, colleagues and students and are too numerous to name – we would like to thank them all for their support, encouragement and professional input.

We would also like formally to thank the World Bank, UNICEF, UNESCO and EUROSTAT, and the OECD for statistics and other materials used in various chapters of the book. Every effort has been made to trace all the copyright-holders of statistical and other materials referred to in the book, but if any have been inadvertently overlooked the publishers will be pleased to make the necessary arrangement at the first opportunity.

We would also like to acknowledge the fact that a great deal of the research was carried out with funding gained from many different sources. Pauline Prior would especially like to thank Peter Kennealy at the European University Institute at Florence for the financial and academic support of the EUSSIRF project. Bruno Palier would especially like to acknowledge the role in developing his thinking of two forums: the European forum of the Jean Monnet Center chaired by Yves Meny ‘Recasting the Welfare State in Europe’ in 1998–9 under the direction of Martin Rhodes and Maurizio Ferrera, and the European network of researchers Cost A15 project ‘Globalization, Europeanization and the Reforms of European Welfare Systems’, chaired by Denis Bouget. He would also like to thank Mariane Berthod, former head of Mire (Mission Recherche from the French Ministry of Social Affairs) for providing many incentives to develop research in the area of welfare state reform and globalization. Robert Sykes would especially like to thank Linda for her support, especially when this book seemed to be driving her partner to distraction.

Last and not least, we must thank the UK Social Policy Association for providing financial support for the study day on ‘Globalization and the European Welfare States’ in July 1999 out of which this collective enterprise has had its long, but eventually fruitful, gestation.

ROBERT SYKES
BRUNO PALIER
PAULINE M. PRIOR

Notes on the Contributors

Santiago Álvarez is Senior Lecturer in Public Economics at the University of Oviedo, Spain. He is a member of the International Institute of Public Finance and the Institute of Fiscal Studies (London) and his research areas include social policy, tax theory, public choice and Spanish public sector and fiscal federalism.

John Clarke is Professor of Social Policy at the Open University. Drawing on a background in culture studies, his interests have centred on the political, ideological and organizational conflicts around social welfare. Much of his recent work has addressed the role of managerialism in the remaking of welfare systems. Recent publications include *The Managerial State* (1997), co-authored with Janet Newman, and *New Managerialism, New Welfare?* (2000), co-edited with Sharon Gewirtz and Eugene McLaughlin. He has also written on US culture and politics including *New Times and Old Enemies: Essays on Cultural Studies and America* (1991).

Mary Daly is Professor of Sociology at the Queen's University of Belfast. A native of the Republic of Ireland, she has previously worked there as well as in Germany and Italy. She has published widely on comparative social policy and on sociological topics relating to Ireland. Her main research interests currently lie in how welfare states affect gender relations, the sociology of the family, poverty and social inequality. She is the author of *The Gender Division of Welfare* (2000).

Bob Deacon is Professor of Social Policy at the University of Sheffield and Director of the Globalism and Social Policy programme (GASPP: <http://www.stakes.fi/gaspp>) which is based at Sheffield and STAKES (National Research and Development Centre), Helsinki. Among his recent publications are *Global Social Policy: International Organizations and the Future of Welfare* (1997), and he is the founding editor of the journal *Global Social Policy*. He is a member of the International Advisory Board of the ILO's Programme on Socio-Economic Security and has worked on aspects of globalization and social policy in association with WHO, UNRISD, UNDP, UN Secretariat, EU and World Bank programmes.

Zsuzsa Ferge (née Kecskeméti) was born in Budapest in 1931, and is an economist who has worked in the field of social statistics, sociology and social policy. She was appointed Professor of Sociology at Eotvos University in Budapest in 1988. She founded the first department of social policy in Hungary in 1989 where she is still teaching. Her main area of interest in research and teaching have been social structure, social inequalities and poverty, and the social impact of economic and political transitions. She has held a number of Visiting Professorships at French, English and American universities. She is a member of the European Academy and of the Hungarian Academy of Sciences and holds an honorary degree from Edinburgh University.

Norman Ginsburg is Professor of Social Policy at the University of North London. He has written *Class, Capital and Social Policy* (1979) and *Divisions of Welfare* (1992), as well as papers and articles on housing and urban policy, on European and comparative social policy, and on race, ethnicity and social policy. He has been a member of the editorial collective of the journal *Critical Social Policy* since it started in 1980. He is involved in research on urban regeneration processes, housing privatization and social policy globalization.

Ana M. Guillén is Associate Professor of Sociology at the University of Oviedo, where she teaches comparative social policy. She has written extensively on welfare state development, health policy and comparative social policy (published in English, Spanish, Italian, French and Greek). She is author of *La construcción política del sistema sanitario español: de la postguerra a la democracia* (2000). She co-authored with Manos Matsaganis 'Testing the "Social Dumping" Hypothesis in Southern Europe: Welfare Policies in Greece and Spain during the last 20 years' (*Journal of European Social Policy*, 10, 2 2000) In 1998–9, she was a Jean Monnet Fellow and participant in the European University Institute's *European Forum: Recasting the European Welfare State*.

Colin Hay is Reader in Political Analysis in the Department of Political Science and International Studies at the University of Birmingham. He is the author of *Re-stating Social and Political Change* (1996), *The Political Economy of New-Labour* (1999), and *Post-war British Politics in perspective* (1999) with D. Marsh *et al.*, and co-editor with D. Marsh of *Demystifying Globalization* (2000), and *Theorising Modernity* (1999), with M. O'Brien and S. Penna.

Pekka Kosonen is a Senior Research Fellow of the Academy of Finland and Associate Professor in the Sociology of Law in the University of Helsinki. He has studied structural changes in the Finnish society and has compared Nordic welfare states as well as Nordic economic policies. He was the co-ordinator of the research program 'Finland and European Integration', 1990–5. His research topic deals with globalization and small welfare states, in particular Denmark, Finland, Ireland and New Zealand. Recent publications include 'The Scandinavian Welfare Model in the New Europe', in Boje and Olsson (eds) *Scandinavia in a New Europe* (1993), and 'Activation, Incentives and Workfare in Four Nordic Countries' in *Comparing Welfare States in Nordic Europe and France* (2000).

Bruno Palier is Chargé de Recherches at CNRS in the Centre d'Etudes de la vie Politique Française (CEVIPOF), at the Institut d'études politiques de Paris. He specializes in the comparison of social protection reforms in Europe. He is a member of the Management Committee of the European network, Cost A15 'Reforming the Welfare Systems in Europe', and co-ordinator of the forthcoming working paper series for the International Labour Office on *The Extension of Social Protection*. He was responsible for the Mire programme *Comparing Social Welfare Systems in Europe*. His most recent publications include 'Defrosting the French Welfare State', in the journal *West European Politics* (2000) and 'From the Cradle to ... Where? Current Pension Policy Trends in Western Europe' (co-authored with Giuliano Bonoli) in the *Yearbook of European Administrative History* (2000).

Pauline M. Prior lectures in social policy at Queen's University, Belfast. With a background in social services training and management, her main areas of research interest are mental health policy, the impact of wider political and economic structures on national social policies, comparative social policy and the interrelationship between gender and health. Her publications include *Mental health and politics in Northern Ireland* (1993), *Gender and Mental Health* (1999) and a number of articles on different aspects of mental health policy.

Robert Sykes is Principal Lecturer in Social Policy in the School of Social Science and Law at Sheffield Hallam University. He edited, with Pete Alcock, *Developments in European Social Policy* (1998). His research interests are in EU social and economic policy, the relationship between globalization and welfare state change in Europe, and the links

between socio-economic restructuring and welfare policy in Europe. He is a member of the executive committee of the UK Social Policy Association and convenes its special interest group on comparative social policy.

List of Abbreviations

ACP	African, Caribbean and Pacific countries
AFDC	Aid to Families with Dependent Children
CAP	Common Agricultural Policy (of the EU)
CEE	Central and Eastern Europe
DAC	Development Assistance Committee (of the OECD)
DG	Directorate General (of the EU)
EC	European Community
ELSA	Economic, Labour, Education and Social Affairs Committee (of the OECD)
EMS	European Monetary System (of the EU)
EMU	Economic and Monetary Union (of the EU)
ESRC	Economic and Social Research Council
EU	European Union
FDI	Foreign Direct Investment
G7	Group of Seven (Western economic powers: Canada, France, Germany, Italy, Japan, UK, USA)
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ILO	International Labour Organization
IMF	International Monetary Fund
MAI	Multilateral Agreement on Investment
NAFTA	North Atlantic Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGOs	Non-governmental organizations
OECD	Organization for Economic Co-operation and Development
PAYG	Pay As You Go (i.e. pension, etc., schemes where beneficiary makes contributions during (working) lifetime)
PHARE	Poland and Hungary: Aid to Restructuring Economies programme (now extended to all Central and Eastern European countries)
TACIS	Technical Assistance to the Commonwealth of Independent States and Georgia
TEU	Treaty on European Union
TNCs	trans-national corporations

UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organization
UNICEF	United Nations Children's Emergency Fund
WHO	World Health Organization
WIDE	Women in Development
WTO	World Trade Organization