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ESSAY ON THE WELFARE STATE MODELS

The paper discusses the meaning of the welfare state and considers its evolution. A particular emphasis is given to the existing models and their characteristics. In particular, the authors cover the conservative, liberal and social democratic models of the welfare state. Also, the causes of emerging as well as essential elements of a welfare state are considered. Besides, the essay analyzes the immediate possibility of introducing a welfare state in Ukraine. Finally, conclusions summarize the findings of research.

Keywords: welfare state, de-commodification, models of welfare state, welfare model for Ukraine

Identifying the problem

Many scholars today are trying to find an effective set of policies to boost economic and social development in Ukraine. While having experienced the communist past with a strong social component, this model is no longer applicable for Ukraine. Equally the current status quo is not acceptable. Therefore, looking at some Western patterns of combining the power of the market and rethinking the role of the state is most actual and significant. This essay makes the first step in that direction by defining the basic types as well as preconditions of the welfare state as well as shedding more light on an immediate possibility of the welfare state introduction in Ukraine.

Literature Review

The concept of a welfare state is highly disputable these days. Prof. Esping-Andersen [1] presented one of the most fundamental research on welfare states. Besides, there are P. Spicker [2], N. Khoma [3], V. Belov [4],

A. Pacek [5], who discuss different dimensions of the welfare state and its applicability. Yet the short and concise interpretation of the issue and models used by Mr. Esping-Andersen has some space for improving. This is the purpose of this paper.

What is a welfare state?

Technically speaking a welfare state is a pattern of government policies where the state plays a vital role in the protection and promotion of the economic and social wellbeing of its citizens. Unlike the purely market economy, where the government has but a trivial part, in the welfare state it is tasked to realize the principles of equality of opportunity of distribution of wealth, and public responsibility for those unable to have it otherwise. No welfare state is possible without a social dimension.

Social rights are indeed an essential element in the welfare state system, and among all social rights, the right to de-commodification of an employee seems to be the most important. From that very moment when workers were deprived of their resources like land, their capital, i.e. tools of producing goods and the finished results of their work they came to depend on those enslaving them, firstly physically and later more economically, whether you call them feudalists or capitalists. As commodities, people are prisoners to powers beyond their control; the commodity is easily destroyed by even minor social contingencies, such as illness, not to speak about macroeconomic changes such as the business cycle. If workers do behave as commodities, they will by definition compete; and the fiercer the competition, the cheaper the price. As commodities, workers are replaceable, easily redundant, and atomized [1, p.145].

In this way, with the introduction of social rights (understood in the modern context) loosening of the classic commodity status of a worker becomes possible. Per Mr. Esping-Andersen, the author of a famous book *The Three Worlds of Welfare Capitalism*, de-commodification takes place when work is done as a matter of right and not a necessity, and when a person can maintain a livelihood without reliance on the market, entailing that citizens can freely, without potential loss of job, income, or general welfare, opt out of work when they consider it necessary [1, p. 21.] Hence, de-commodification strengthens the worker and weakens the absolute bargaining power of the employer (and the state).

The second characteristic of the welfare state, per Esping-Andersen, indirectly deviating from de-commodification, is compulsory state social insurance.

Sick insurance and unemployment insurance, maternity and parental leave as well as educational leave, paid vacation and finally, the pension would be good examples of how de-commodification manifests today, though these are also relatively limited both in scope and application.

De-commodification included three basic features of social protection: pensions, sickness and unemployment security; in the end, the aggregate results were obtained. Old-age *pensions* consider minimum pension benefits for a standard production worker earning average wages, standard pension benefits for a normal worker, contribution period in years, and individual's share of pension financing. *Sickness* and *unemployment* programs include benefit replacement rates (net) for a standard worker during the first 26 weeks of illness/unemployment, the number of weeks of employment required prior to qualification, and the number of waiting days before benefits are paid.

Causes and conditions for a welfare state

Historically in Western Europe, the welfare systems started emerging the nineteenth century. For instance, Bismarck understood the *Sozialstaat* as a remedy against socialism, and as a means to win the new proletariat's loyalties for the king's autocracy and not for satisfying the workers' demands. When political speeches were left apart, in the solid workers the objects, not subjects of early social policy. Therefore, welfare states have been created to oppose both labor and socialism by fragmenting and dividing what was perceived as an emerging collectivist threat. Still, Bismarck introduced old age pensions, accident insurance and medical care. His paternalistic programs won the support of German industry because its goals were to win the support of the working class for the German Empire and reduce the outflow of immigrants to the United States, where wages were higher but welfare did not exist.

In the United Kingdom, a similar idea was lying behind the new means-tested allowances for the poor, replacing in this way the old Poor Laws. The modern welfare state there started to emerge with the Liberal welfare reforms of 1906–1914 under Liberal Prime Minister Herbert Asquith. These included the passing of the Old-Age Pensions Act in 1908, the introduction of free school meals in 1909, the 1909 Labour Exchanges Act, the Development Act 1909, which favored greater Government intervention in economic development, and the enacting of the National Insurance Act 1911 setting up a national

insurance contribution for unemployment and health benefits from work.

The concept of the welfare state evolved substantially in the 1950s onwards. The rationale behind the mass spread of the welfare state was two-fold: ensure public silence and fight the enemy (ideology). If the nineteenth-century enemy was an emerging collective effort [8], then in the second half of the twentieth century it was communism as a primary concern. Naturally, the peoples' demands played a minor if any role at all. Thus, a welfare state was created by fear and interests to preserve the economic elites' position. Indeed so, there is a visible shortage of empirical cases suggesting that industrial working classes ever had the voting strength, meaning they had at least 50% in highest legislative bodies to determine national policy making. Leftist governments nearly always required a coalition of various social groups to expand welfare policies, and the effect of their work is not easy to witness, as after the first term they could be easily put away by their opponents, who took every chance to undo what has been by their former colleagues.

The following conditions predetermined the spread of a welfare state: a) perception of the communist threat; b) demographic changes – a sharp increase in the old age population as a result of war, combined with the subsequent baby boom in the 1950s and 1960s.; c) presence of the 'Uncle Sam', i.e. the US economic giant able to finance the introduction of the welfare benefits, and d) a relatively advanced economic system of institutions, which has outgrown early stages of the wild capitalism.

Different models of a welfare state

The welfare state is an umbrella for several types, which differ in their historical evolution and reach. Per Prof. Esping-Andersen, there are three primary models of a capitalist welfare state:

- Conservative or Corporatist Welfare Model – evident in the continental Europe
- Liberal Welfare Model – famous among Anglo-Saxon nations
- Social Democratic Welfare Model – mostly practiced by the Nordic states

When speaking about different types, we must bear in mind that they never existed in a pure form, and every nation shares characteristics inherent to more than one "classical" model.

The Conservative Welfare Model. In continental Europe where the influence of the Catholic Church and the authoritarian conservative state was

historically strongest, so-called corporatist welfare states developed. The most prominent example of this regime would be the German welfare model of Bismarck.

In conservative welfare states maintaining order and status is of utmost importance, achieved through social insurance funds (old age pension, health, unemployment, accident insurance). In the top of the corner stands a family unit, where under circumstances of a man only working a wife could gain access to these benefits only through her husband. At the same time, the regime gives little if anything to an individual. Moreover, because this is a highly hierarchical order, help from the state would only come if the means and possibilities of a family are exhausted, not otherwise. Still, further, the system is very dependent on the employment weather and an aging population, which both can deplete funds rapidly.

In this model, an efficient production system comes not from competition, but from discipline. A state usually has a superior role, much more influential than that of the chaos of markets.

The main advantages of the Conservative Welfare State are as follows:

- It enjoys a high level of public support;
- It allows benefit recipients to maintain their standard of income;
- It supports a private service system without rationing (e.g., in health care);
- Benefits increase as contributions increase.

However, the model has quite a few drawbacks as well:

- It maintains and reinforces social cleavages;
- It is sensitive to employment conditions and demographics;
- It drives up labor cost (payroll taxes) and low wage unemployment;
- Flexible jobs will not likely be secured enough;
- It often provides few benefits for those outside the insurance model [6, p. 5].

Liberal Model of a Welfare State. The liberal welfare regime provides means-tested programs and modest universal benefits, based on public services or insurance schemes. It usually delivers benefits to a very low income working class representatives. The state here generally encourages the market to act as a co-provider of benefits, partly by providing a low level of public services, carrying a negative public stigma [6, p. 12, p. 16], [3, p. 208]. This is the model for the UK, the US, Canada and partially New Zealand.

The liberal model might still have positive sides:

- It is the least sensitive to demographic changes in the population;
- It has relatively low taxes;
- It 'stimulates' job growth, but mostly in the low-skills sector [7].

The Social Democratic Model. Social democracy has been the dominant political force in developing a universalistic welfare state that pervades all aspects of people's lives. It supports economic and social interventions to promote social justice within the framework of a capitalist economy and includes the instruments of state provisions, collective bargaining arrangements, and regulation of the economy in the general interest. It is mostly spread in the Scandinavian countries.

Instead of providing the benefits to the poor, it lifts them to the level of the middle class, thus fighting stable stratification of society. Because a high level of public services is achieved, the state has, in fact, crowded out all private competition. It is achieved primarily, but not exclusively, through regular income and value-added taxes.

The necessary preconditions for this model are a liberal tradition with a high regard for individualism and equality, cooperation between working and peasant class, which should result in the dominant role of leftist parties in politics. The model implies a relatively high degree of public awareness and social responsibility [8, p. 146].

Despite its advantages, this system may be difficult to operate; it requires high tax burden, strong government orientation, and a relatively mature society. Economic and political institutions should be advanced too so that a relatively small share of income would suffice for a decent living while minimizing the moral hazard and corruption.

A welfare model for Ukraine

As already seen, a typical welfare state evolved in the Western and Nordica Europe. Today the "club" of welfare states is much bigger than in early times and it includes most of developed and even some developing countries. Like other communist states in the Soviet time, it was characterized by strong but disproportional social development.

Thanks to the large Soviet legacy, until today Ukraine's economy can be defined as quasi market, where the power belongs to a very limited inner circle of oligarchs who are not interested in progressive social development as well as equal opportunities for all. Some economists call this stage as the wild capitalism.

Despite positive changes, which occurred starting from 2014 onwards, these are not enough to introduce a welfare state, at least, not the one in the classical sense. There is neither a political will to facilitate changes, nor sufficient internal material resources to support such a system. Having said that, Ukraine also cannot hope for support comparable to that given to the Western European states, coupled with the lack of the meaning to support the country under the current mindset of its leadership. This mindset presumes inefficient distribution of resources, corruption, and misuse of funds. Moreover, today there is a different external environment than that after the World War II, and nowadays the United States are in different economic position than it was in 1950s. Ukrainian society only today weakens up to start fighting for its rights and their practical application. If experience of the Western European development at all is applicable in this country, then at least fifty years are needed to change generations, which would be the bearers of the new institutions in the country.

Conclusions

This essay discussed the welfare state concept and causes of appearing. It reveals that the welfare state or *Sozialstaat* emerged as a response to the external enemy and means to contain class dissatisfaction. The primary models of the welfare state are liberal, conservative and social democratic. We also discussed the model and possibility of the welfare state in Ukraine, which appeared to be impossible under the current circumstances. At the same time, it is clear that boosting economic welfare is the first most essential step in any welfare model. Therefore, they must define preconditions and economic policies which could facilitate this process. That is the next step of the current research.

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Задоя А.О., Палладін А.М. Нарис на тему «Моделі Соціальної Держави» / Дніпропетровський університет імені Альфреда Нобеля

Стаття розглядає значення соціальної держави та перспективи його розвитку. Особливу увагу приділено існуючим моделям та їх характеристикам. Зокрема, автори розглядають консервативну, ліберальну і демократичну моделі соціальної держави. Крім того, автори обговорюють причини виникнення, а також важливі елементи концепції соціальної держави.

Окрім того, есе аналізує наявну можливість введення соціальної держави в Україні. Нарешті, висновки узагальнюють результати дослідження.

Ключові слова: соціальна держава, де-комерціалізація, моделі соціальної держави.

Задоя А.А., Палладин А.Н. Эссе по теме «Модели Социального Государства» / Днепропетровский университет имени Альфреда Нобеля

В статье обсуждаются значение социального государства и его эволюции. Особое внимание будет уделяться существующим моделям и их характеристикам. В частности, авторы обсуждают консервативную, либеральную и социал-демократическую модели социального государства. Кроме того, авторы рассматривают причины возникновения и важные элементы концепции социального государства. Также эссе анализирует сиюминутную возможность введения социального государства в Украине. Выводы обобщают результаты исследований.

Ключевые слова: социальное государство, де-коммерциализация, модели социального государства.

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