

Esping andersen
three welfare regime
theory economics
essay



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SUMMARY: This essay argues the extent to which Esping Andersen's three welfare-regime theory is outdated in practice and problematic in theory. I restrict myself to decommodification index (labour market policies) to explain the extent at which the theory has become outdated in practice using examples from Germany and Sweden although the classification also looked at the principles of stratification and the extent of private and public mix. Decommodification according to Esping (1990, pp. 22) " is the extent to which individuals can maintain a livelihood without reliance on the labour market and when a service is rendered as a matter of right". To examine the extent the theory is problematic I looked at Italy with reference to the misclassification and Denmark with reference to gender.

INTRODUCTION

The welfare regime theory of Gøsta Esping Andersen has greatly influenced literatures, research, policies and comparison of welfare state since the 90's when the book " three worlds of welfare capitalism" was published.

Esping(1990, pp. 19, 29) was of the opinion that there should be a re-specification of the conceptualisation of welfare state from social expenditure to decommodification, stratification and private-public mix. The social expenditure theory posited that the amount of social expenditure reveals the nations commitment to welfare. He said that although expenditure is important in welfare states simply focusing on the amount of spending could be misleading as the spending could be directed to a particular group and not based on solidarity. Thus the work of Boje (1996; 19 cited in Arts and Gelissen 2002; 138) stated that the work of Marshall(1950) on welfare state being about citizenship and Titmuss(1958) <https://assignbuster.com/esping-andersen-three-welfare-regime-theory-economics-essay/>

on residual and institutional welfare state laid the foundations for Esping-Andersen's analysis.

The analysis was done using 18 (OECD) welfare nations using three principles or variables. These are: de-commodification that "implies the extent to which individuals a society can survive outside the labour market in terms of sickness, unemployment and pension benefits, stratification means the extent to which the state increase stratification or reduce it and private-public mix which he defined as the extent to which responsibilities of welfare is shared among the market, individual and state in the provision of welfare" Esping(1990, pp. 26). Looking at de-commodification he suggests that to measure the extent to which welfare states de-commodify citizens the eligibility rules and restrictions on entitlement to benefits in this case it is pension, sickness and unemployment benefits. If entitlement is not based on previous employment, financial contribution, means tested, easy to get, not for a limited duration then the welfare programme is highly de-commodifying and vice versa. In addition, if the benefits are below the standard of leaving acceptable in the society that results in the beneficiary going back to the labour market, then the programme is not de-commodifying Esping(1990, pp. 47-48).

After the analysis, he states that the differences among the welfare states are not linearly distributed but cluster into regimes-types.

DECOMMODIFICATION TABLE

LIBERAL REGIME

CONSERVATIVE REGIME

AUSTRALIA

UNITED STATES

NEW ZEALAND

CANADA

IRELAND

UNITED KINGDOM

ITALY

JAPAN

FRANCE

GERMANY

FINLAND

SWITZERLAND

Adopted from: Esping Andersen, 1990: 52.

From the table above we can see the three different welfare regimes and the welfare states that are under these regimes. The de-commodification table is used because my essay focus on this. In Esping's(1990, p. 29-33) opinion these difference going back to history are as a result of the nature of class

mobilization(especially of the working class), class-political action structures, and their historical legacy of regime institutionalization. The difference in the interaction of these three factors in the different welfare states has also shaped their future in terms of the nature of welfare services provided.

According to Esping Andersen(1990, p. 26-27, 48) de-commodification is low in the liberal regime and the breeding ground for inequality. The liberal regime found common among the Anglo-Saxon nations, believes strongly in the markets ability to provide for the citizen as those who want to work will be employed and that social protection only does more harm than good to the citizens. Liberal regime model uplifts the opinion that every citizen should be active in the labour market. Thus, the means-tested assistance benefit system modified from the poor law is used for entitlement to benefits. This model does not provide benefits on the grounds of citizens' right and the government provision is restricted to those that cannot participate in the market. It is highly restricted. Examples are the American supplemental security income (SSI) and the British scheme of supplementary benefit. Benefits are focused on the low-income groups and state dependants. The entitlements are more restricted and associated with stigma.

The conservative corporatist regime found in countries like Germany, France. In this regime Esping noted that provision of welfare was high and granting of social right was not a problem however entitlement was based on class and status. Being shaped by the church there, exist the norm to maintain the old order of the social status (feudal welfare arrangement). Entitlement through the social insurance system is conditional on the work performance

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(labour market participation) and financial contributions made (Esping 1990, pp. 26). For example the entitlement to unemployment benefit differ according to contribution in previous employment (Fleckenstein 2008, pp. 178). The third regime which Esping uphold high as the highly de-commodifying welfare state is the social democratic, in which the principle of equality and universality (Beveridge principle of universal rights of citizens) is imbedded in the provision of welfare programmes rather than creating a disparity between the different class in the state. Eligibility to benefits is given if one is a citizen or had stayed for a long time (flat rate benefits) and not on prior work performance, however employment is encouraged to have the recourses to provide welfare. (Esping 1990, p. 27-48).

OUTDATED IN PRACTICE.

The presence of globalization, rising unemployment, permanent austerity as Pierson(1998, p. 411-456) noted as a result of slow economic growth, has led a shift to a more productive than a protective welfare state and as Gooby (2004, p. 1) identifies that “ changes in population, family structure, labour markets and the coming to maturity of expensive welfare states” has challenged the welfare states. Therefore, questions arise about the relevance of the three-regime theory in this present time. Bearing in mind that the theory is dated back as far as 1990 and several events like those mentioned above has changed the welfare system of countries in the regime clusters. In Germany, I will look at the shift in the conservative path of two separate public assistance scheme for the long-term unemployed to one integrated social assistance scheme with strong emphasis on activation.

The German welfare state of Esping Andersen welfare regime was one of preservation of social status in which entitlement to benefits were based on prior employment and level of income. However presently there is a shift towards “ the Anglo- American model of largely means tested, flat rate jobless benefits”[1](Hassel and Williamson, 2004 pp. 13). The Hartz IV law brought about this change. The German state previously had three different benefit systems for the unemployed namely the unemployment benefit, unemployment assistance and social assistance benefits. In order to maintain social status, the unemployment benefit was given based on last earned income and the duration varied according to amount of time spent in prior employment and age, they are not enforced to take up the job provided as thus one could get benefits for a duration of 32 months. The unemployment assistance has unlimited duration and was usually taken those whose unemployment benefit had run out (Fleckenstein 2008, pp. 178). On the other hand, those that lacked entitlement from the insurance contribution had to use the strict means tested social assistance benefits and take up of any jobs was compulsory.

The Hartz law however regrouped the benefit schemes into two groups, the ‘ unemployment benefit I’ and ‘ unemployment benefit II’. The unemployment benefit II is the unemployment benefit and social assistance benefit integrated together for the long term unemployed and the unemployment benefit I is the unemployment benefit. Entitlement for the unemployment benefit II are based on the social assistance eligibility rules. The long term unemployed now rely on the unemployment benefit I as the duration of the unemployment benefit was cut to 12 months and older workers from 55 and

above had theirs extended to 18 months (Deutscher Bundestag, 2003 cited in Flectkentein 2008, pp. 179). The long-term unemployed are then subjected to re-commodification through activation measures for reintegration into the labour market. The unemployed person is provided with training or social services to help improve the employability status of the individual and is expected to take up any job offered and show signs of actively looking for a job to prevent reduction suspension or loss of benefit. In Esping Andresen's theory this was the underlying characteristic of the liberal regime but today there is a shift in the German conservative, preservation of the social order welfare state to a more liberal welfare state.

Consequently, concerning Sweden's social insurance based pension systems reforms have occurred that has questioned the traditional universality of the Swedish welfare state. According to Esping Andersen(1990, p. 83-84) using estimate of occupational pension expenditure as a percentage of the GDP between 1950 and 1980 the Swedish pensions is one in which the private sector played a marginal role since government legislation did not support it. In addition, his analysis public-private pension mix, the Swedish private pension sector provision and social security provision of 85. 5% of the GDP for 1980 and Australia that is regarded as liberal welfare state had a large private pension sector provision and a low social security pension of 59. 4%. He thus posits(1990, p. 80-86) that the Swedish system ensures of the eradication of status and market scheme of pension provision and the extent to which the public and private sectors provide social protection determines provides a structural context of de-commodification of welfare regimes .

However, Esping-Andersen made his conclusions using 1980 data before the

recession Sweden in the 1990s and there had to be reforms in the traditional pension system. According to Schludi (2005, pp. 89, 90) the traditional pension system provides basic pension for all residents in Sweden over 16 years of including foreigners and three schemes made up the national pension system these were the basic (universal flat rate pension), earning related supplementary (ATP) and partial pension schemes. The age for entitlement for the basic pension is sixty-five.

With the recession Schludi (2005, p. 97) also noted that the pension system sifted from the defined-benefit to the defined-contribution type and the private pension scheme exist on a mandatory basis. This is based on 'lifetime income' unlike the previous system that was based on best fifteen years and a full pension was gotten after thirty years of contribution. The entitlement age increased from sixty-five to sixty-six, there were also strict eligibility rules of forty years of residence and thirty contribution years into the earning related supplementary pension scheme. Prior to this time, every one that has resided in the country for five years was entitled to the benefits. A data from Jackson and Howe (2003, pp. 24) showed that private pension benefit as a percentage of the GDP for the year 2002, was 2. 2% and is projected to increase to 5. 3% in 2040. This shows increasing participation in the private sector in the provision of pension benefit. Also concerning unemployment insurance benefit the Swedish reform programme for the growth of Jobs 2008 to 2010 report[2]shows that the unemployment insurance waiting day was increased from five to seven days and the duration of unemployment insurance benefit for the part-time unemployed is limited to seventy-five days. In addition (OECD. 2004, p. 11) report revealed

that the eligibility for a renewal of the unemployment insurance benefits is no longer given on the bases of participation in the active labour market programmes, and the unemployment benefit can only be extended only once making a total of 600 days(300 days the first time and only one additional 300days), unlike before when it could be extended over and over again[3]. This shows tightening of the eligibility criteria and the pushing of people back to the labour force.

Problematic in the theory

The theory of Esping Andersen has faced several criticisms from commentators. Arts and Gelissen(2002, p.) notes that these criticisms range from the misclassification of Italy under the corporatist model and Antipodeans countries(Australia and New Zealand) into the liberal regime, the neglect of the Mediterranean countries(Spain, Greece and Portugal) from the theory, to the neglect of gender(women) in the provision of welfare and the focus of welfare state analysis on social transfers neglecting the fact welfare state is also about the delivery of services like health care, education and social services. in this lights, several people have come up with more typologies.

Concerning the misclassification of Italy the article by Ferrera(1996, p. 17-37) will be used. Esping Andersen (1990, p. 52) grouped Italy alongside Germany, France results in the neglect of certain peculiar characteristics of the particular groups of countries like Greece, Spain and, Portugal, which he neglects in his analyses. He noted that although in Italy like the conservatives cash benefits especially pension is based on occupational

status, contributions and is fragmented in that there are different schemes for the private employee's civil servants and the self employed. However, they are different from the pure conservative countries, in the sense that there is a tremendous gap between the core sectors workers (white collar workers) of the labour market that receive very high benefits (sickness or temporary unemployment benefits) and the workers in weak sectors receive weak support. There is also lack of minimum national income scheme for low-income families. The young unemployed receives no basic benefit from the state, there is thus high dependence on the family. Due of lack of safety net for the citizens the state is characterised by strong political corruption and public institutions are ruled and manipulated by strong political force for their selfish interest. To the extent, that citizens sell their votes to get social assistance benefit at times.

This shows that although Italy and conservative welfare states share catholic history and the occupational and contribution based benefit. The social political trajectory differs in the sense that the conservative States have welfare systems that covers the population. As such Esping Andersen's theory, missed out a very important welfare state path (southern welfare state) that is necessary for effective comparison of welfare states and social policies.

Apart from the miscalculation of Italy as part of the conservative regime, Esping Andersen's regime theory failed to incorporate gender in his analysis of welfare states. Several commentators as Lewis 1992, Bussemaker and Kersbergen 1994 have stressed incorporating gender will help gain a better understanding of welfare state policies and a more valid regime theory.

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Esping Andersen noted by, Bussemaker and Kersbergen(1994, pp. 12, 13), neglects the fact that apart from the state and market the family also provides welfare. Lewis (1992, p. 160) referred to this as 'unpaid work'.

Esping Andersen's analysis focus on how the relationship between the state and market affect the arrangement of social policy, and Bussemaker and Kersbergen (1994, pp. 20) noted that it is not enough to consider the relationship between the state, market and the society without looking into assumptions of gender that shape the infrastructure of social policy.

For example in Denmark, gender relations have shaped social policy and help to understand the Dutch social policy. Bussemaker and Kersbergen (1994, pp. 23) asserted that the Dutch welfare system can be effectively understood when the historical distinction between the breadwinner and caretakers are taken considered. The foundation of the Dutch welfare was on the distinction between the "paid labour (men) endowed with generous social rights and unpaid labour (women) derive benefit based on married and domestic status" and, means- tested arrangement is used to obtain benefits. This leads to high level of stratification between men and women. The moral ideology behind this distinction is that equal social citizenship rights will be a threat to solidarity. This implies That although Denmark welfare State is characterized with high degree of de- commodification, universality and low inequality as Esping Andersen theory suggests, it is because the de- commodification index used focused on wage labour (mainly to men), who receive generous benefits. Thus, the theoretical framework of Esping Andersen (1990) failed to provide in-depth analysis of the Dutch welfare state policies.

CONCLUSION

In the face austerity, causing Welfare States to restructure welfare policies the fate of Esping- Andersen's three regime theory on de-commodification will continue to face the threat of been outdated.