

Shifting Social Welfare Paradigm – From Redistributive Welfare to Social Investment - Joe Leung, Department of Social Work and Social Administration The University of Hong Kong

Abstract

Social welfare and social policy are contested concepts. Learning from the experiences of the development of welfare states in developed countries and reviewing the strengths of our social and economic policies in the context of the political situation, Hong Kong can clarify its understanding on the values, functions, directions and priorities of social welfare through extensive consultations. Based on this mainstream and cross-sector consensus, different social and economic sectors can assume their social responsibility to build up a just, modern and sustainable society. A new perspective on social welfare is essential to guide the future development of our social welfare system and meet the formidable challenges of new risks due to globalization.

Key social policy analysts, political parties and international bodies have advocated that social policy is a social investment in human and social capital that can facilitate economic growth and competitive advantages. Active social policy has to balance between individual rights and responsibilities, encourage active citizenship, provide life-long learning, activate labor market, and facilitate cross-sector collaborations.

Introduction:

What is welfare? A contested concept – what constitutes a good society and moral choices (Deacon, 2002; Williams, 2000)

- It concerns with who gets what, when, where, and how (how resources are distributed), and what are the roles of the government, family individual, market and voluntary organizations (civil society).¹

Purpose: Lessons and learning from developments in welfare states

- Rapid social and economic changes demand effective social policy responses from developed countries. Re-inventing, re-defining, re-thinking, re-structuring, revamping, or re-focusing of welfare states becomes paramount. Recent experiences and new conceptualizations of social policy reforms in developed countries, notably welfare states are shared. They may not be applicable to the Hong Kong situation. But the talk can provide stimulation for local on-going discussion. Under a globalized environment, we have to keep abreast of what is the mainstream thinking on social policy in developed countries, and learn from their experiences.

Need to have a road map for welfare development – having a consensus/ mainstream thinking/ common language on the meaning and function of social welfare

- Little open discussion, debates and agreement on the directions and underlying assumptions of our welfare programs. Time to review the strengths and weakness of our system in the context of the globalized environment. Facing new challenges ahead, we need to have a better consensus on what is welfare before we can establish an adaptable and

¹ A. Deacon, *Perspectives on welfare – ideas, ideologies and policy debates* (Buckingham: Open University Press, 2002).

effective welfare system. What it is supposed to do? To many people, the existing welfare system is part of the problem; not the solution (public housing policy and social security system).

Integration of social policy and economic policy: social policy as a productive factor. Social and economic costs of non-social policy

- Social policy has both re-distributive and investment functions. Social policy is therefore a productive factor (investment in the labor force), even though its costs are generally visible in the short term, while its benefits are often only apparent in the long term.
- The traditional emphasis on the re-distributive functions based on entitlement, social rights, and citizenship was perceived as a hindrance to economic growth, and is difficult to get popular support now. Since social policy is not antagonistic with economic policy, it should be actively integrated with the labor market, enhance productivity, and contribute to economic growth, while economic growth should consider the impact on stability and social cohesion. Policy researchers should document evidence supporting the contribution of quality social policy to economic growth and the social and economic costs of non-social policy.

Social policy as investment in human and social capital – a dominant thinking among governments

- Like education and health, social welfare is more seen as an investment which focuses on the realization of human potentials – development of social and human capital. This “social investment” conceptualization of social policy has received widespread support from governments, international bodies, and policy analysts.

Changing Welfare States

Traditional assumptions of welfare states (The Keynesian Welfare States):

- Welfare served to humanize the evil of capitalism, offering minimum protection for those in needs through a mix system of universal social insurance and residual state provisions (different mix of state, market and civil society provision). Welfare addressed the “diswelfare” arising from the economic growth – unproductive burden to the economy. State intervention (re-distributive policies) compensates market failures and imperfections.
- Welfare states were based on the assumptions of full employment, economic growth, moderate demands, continuous family (traditional family structure remains intact) obligations and community support (major sources of welfare).
- Rapid expansion in 1960s – mounting expenditures – welfare as an expression of altruism, looking for a more equal and cohesive society. The task of welfare is to redistribute resources and opportunities from the rich to the poor – building a more integrated, egalitarian and cohesive society. “Public good, private bad.” “Tax and spend.” Glorified state intervention and was hostile to markets. Emphasized on entitlement and social rights.
- Criticisms – self-interested trade unions, undermining individual freedom of choice, stifling entrepreneurial spirit, ineffective state monopolies, creating welfare dependency (Miller 2003). Welfare states have created entrenched interest groups, which have come to see benefits as natural rights (Giddens, 2001).

Neo-liberal attack on welfare state – New Right

- New Right (Thatcher, Major and Reagan) – welfare state paternalistic (nanny state) and inefficient, not sustainable.² Against state intervention (Welfare state crisis – O’Connor, 1973)³. Resistance of tax-payers to support welfare by raising tax.
- Welfare as a burden and impediment to economic growth and investments and erode work ethic and create moral hazard of welfare dependency or “welfare trap” (dependency culture). **Trade-off** between economic efficiency and equity (neo-classical economics).
- Singapore Prime Minister once urged his people to “steer clear of welfare mentality”. Taxation for welfare “sucks dry personal and corporate initiatives, while welfare destroys family and community networks.” (Ramesh, 1993).
- Market-oriented reform, reducing state intervention, cutting welfare expenditures to enhance competition, created insecurities and widened inequalities – destabilizing, insufficient to build a successful economy.

Two Views on Social Welfare (“levelers” versus “deregulators”) – conflicting/ mutually exclusive or complementary?

- what is clear is that welfare states should neither dependent on a state dominant model nor the chaotic functioning of the market. What is required is a welfare state that is active and enabling.⁴
- The U.K. Commission on Social Justice argued:⁵
 - o The welfare state must not only look after people when they cannot look after themselves, it must also enable them to achieve self-improvement and self-support.....a hand-up rather than a hand-out.

New Economy and New Risk – challenging the role of the state

- **Globalization** – mobility of capital and migration. New economy and labor market shift (knowledge/ service economy, declining manufacturing work and industrial blue collar workers, widening differences between high-end job and Mcjobs, low end jobs) – maintaining **competitive advantage** (human capital, flexible labor market and labor cost, and lower taxation) **is the topmost concern for most countries.**
- Mounting social expenditure due to weakened families (individualized life style - rising divorce and women participation in workforce), and poorly functioning labor markets (job insecurities and unemployment), and aging society, accompanied by declining revenue and increasing budget deficits (reaching a limit where taxation can support). Public opinion still shows a strong degree of support for the welfare state, and high expectations on the role of the government.⁶ Stated preferences not consistent (Fouarge, 2003). Sustainability?

² Novick 1974; F. Hayek and M. Friedman – minimal state and residual welfare.

³ E. Huber and J. Stephens, *Development and Crisis of the Welfare State – Parties and policies in global markets* (Chicago: University of Chicago Press, 2001).

⁴ C. Miller, *Producing Welfare – a modern agenda* (Palgrave, 2003), p.3.

⁵ Commission on Social Justice, *Social Justice: strategy for national renewal* (London: Vintage/ Institute for Public Policy Research, 1994).

⁶ S. Svallfors and Taylor-Gooby, P. (eds.), *The End of Welfare State? Responses to State Retrenchment* (London: Routledge, 1999).

- *New risks and new needs (a stronger sense of insecurity and vulnerability)*⁷ – unemployment/ redundancy, child poverty, long-term care, transition from school to employment, single parents, unwed mothers, migrants/ new arrivals (refugees), ethnic minorities, domestic violence, drugs, AIDS, and social exclusion.
- The two views on welfare have lost their appeals. The growing acceptance of the left on the role of market, while the role of the state is vital in preventing that extreme market would aggravate inequalities and instability. The debates between market and state (socialism and capitalism) have subsided.
- Welfare convergence:⁸ *A mixed economy of welfare* (welfare pluralism): all governments accept the principle of mixing market, state, voluntary, and informal sectors in meeting social needs.⁹ Their boundaries are blurred. In fact, it is the welfare society rather than welfare state, with the state being a variable in it.¹⁰ The role the state as funder, regulator, coordinator, and primary direct service provider– concerned with governance (not a diminishing role).¹¹ Yet the capacity of the state to tackle income inequalities, job security limited, and manage deficit finance public provisions.¹²
- Welfare states in general are in retrenchment.¹³ Most public services have been starved of resources. Modern welfare systems call on private sources of finance and provision (through fees, private-public partnerships, the regulation, and sometimes the subsidy of private provision) in education, retirement, health care, housing, and elderly care.¹⁴ The politics of the welfare state has shifted from the distribution of the gains from economic growth to the politics of retrenchment. Political strategies to obscure or delay the impact

⁷ R. Edwards and J. Glover, *Risk and Citizenship – key issues in welfare* (London: Routledge, 2001); H. Kemshall, *Risk, Social Policy and Welfare* (Open University Press, 2002); P. Taylor-Gooby (ed.), *Risk, Trust and Welfare* (Basingstoke: Macmillan Press, 2000); OECD, *Emerging Systemic Risks in the 21st Century – an agenda for action* (Organisation for Economic Co-operation and Development 2003).

⁸ “Despite varying national contexts and the policies of differing political parties, the welfare states of the advanced industrial countries should become increasingly similar as the forces of globalization squeeze them into a market-oriented welfare-state model. In essence it does not matter whether the national institutional contexts are conservative or social democratic, or if a leftist or rightist party is in power, the constraints have become so extreme that only market-conforming welfare-state structures will be allowed.” Geyer, R., “Globalization and the (non-) defence of the welfare state,” *West European Politics*, 21(3), (1998), pp.77-102.

⁹ Wistow, G., Knapp, M., Hardy, B., and Allen, C., *Social Care in a mixed economy* (Buckingham: Open University Press, 1994);

¹⁰ F. Waarden and G. Lehmbruch (eds.), *Renegotiating the Welfare State – flexible adjustment through corporatist concertation* (London: Routledge, 2003).

¹¹ Clarke, J., “The problem of the state after the welfare state,” in May, M., Brunsdon, E., and Craig, G. (eds). *Social Policy Review 8* (London: Social Policy Association, 1996).

¹² P. Taylor-Gooby (a), Introduction: Open markets versus welfare citizenship: conflicting approaches to policy convergence in Europe, *Social Policy and Administration*, vol. 37, NO. 6, December 2003, pp. 539-554. P. Taylor-Gooby, C. Hastie and C. Bromley. Querulous citizens: welfare knowledge and the limits to welfare reform, *Social Policy and Administration*, Vol. 37, No. 1, February 2003, pp. 1-20.

The current transformation is seen as a “hollowing-out” process, whereby the state loses much of its autonomy and its control over national economic and social life. Its power are displaced upward, downward, and outward, to international or pan-regional agencies or international bodies, to regional layers of government or economic institutions or to global market forces. Jessop, B., “The transition to post-Fordism and the Schumpeterian welfare state,” in R. Burrows and B. Loader (eds.), *Towards a Post-Fordist Welfare State?* (London: Routledge, 1994).

¹³ Glennerster, H. and Hills, J., *The state of welfare* (Oxford: Oxford University Press, 1998); Bonoli, G. George, V. and Taylor-Gooby, P., *European Welfare Futures* (Cambridge: Polity, 2000); R. Goodin and Mitchell, D., *The Foundations of the Welfare State* (Cheltenham: An Elgar Reference Collection, 2000).

¹⁴ P. Taylor-Gooby (ed.), *Risk, Trust and Welfare* (Macmillan Press, 2000).

of cutbacks; to create divisions between the winners and losers from change; and the introduction of compensation measures to minimize electoral damage, are the new politics of welfare.¹⁵ State and traditional welfare has been regarded as largely inadequate in coping with the new risks.

A New Social Policy Model? (The “investors”)

- Looking for a new interpretation on social welfare - **synthesis or harmonizing of the two “contrasting” views**. International bodies (World Bank, OECD, EU) and policy analysts - Social development (J. Midgley), New Welfarism (P. Taylor-Gooby), the Third Way/ Positive welfare/ social investment state (A. Giddens), (Andersen and Jensen, 2002; Sarfati and Bonoli, 2002).¹⁶
- **Social policy and economic policy should be integrated and complementary. Social policy should be investment oriented, seeking ways to enhance social and human capital and capacities to participate in the productive economy.**
- **Maximizing the partnership between state, private sector and civil society.**
- **Efforts to document evidence to support the contribution of social investment to economic growth and the costs of non-social policy.**

Social Development

J. Midgley (1999)¹⁷

- Contemporary approaches to social welfare are based on the idea that the resources generated by economic growth should be redistributed to fund social programs. Although this approach has dominated social policy since the 1950s, it has been undermined by the argument that redistributive social welfare expends scarce resources on unproductive social services, maintains needy people in dependency, and stifles economic growth. Faced with need for new ideas that will legitimate social welfare, **social development offers an alternative perspective on redistribution that emphasizes resource allocations to social programs that are productivist and investment oriented and that enhance economic participation and make a positive contribution to development.**
- The social development perspective insists on the integration of economic and social policy and gives expression to two axioms:
 - a) it requires that economic development should be inclusive, integrated and sustainable and bring benefits to all;
 - b) it proposes that social welfare should be investment oriented, seeking to enhance human capacities to participate in the productive economy
- Strategy – investing in human capital, employment and self-employment programs, social capital formation, asset development, cost-effective social

¹⁵ C. Pierson, *Beyond the Welfare State? The New Political Economy of Welfare* (Cambridge: Polity Press, 1998).

¹⁶ C. Bochel, N. Ellison and M. Powell. *Social Policy Review 15: UK and International Experiences* (The Policy Press 2003).

¹⁷ J. Midgley, “Growth, redistribution and welfare: toward social investment,” *Social Service Review* (March 1999), pp.3-21; J. Midgley and K L. Tang, *Social Policy, economic growth and developmental welfare*, *International Journal of Social Welfare*, 10, 2001, pp. 244-252; J. Midgley and M. Livermore, “Social capital and local economic development implications for community social work practice,” *Community Economic Development and Social Work*, vol. 5, no. ½., 1998, 29-540.

- programs, and removing barriers to economic participation.
- The approach would emphasize on personal responsibility, the involvement of non-profit organizations, and the full utilization of the market and state intervention.
- New Book: *Social investment – renewing social welfare policy*.

New Welfarism – Taylor-Gooby (1997)¹⁸

Economic globalization, labor market flexibility, more complex patterns of family life and the dissolution of traditional class structures require a new welfare settlement. Since full employment, redistribution and expensive universal services are no longer seen as feasible, the **new welfare can only justify social spending as investment in human capital and the enhancement of individual opportunities. Welfare states are all driven in the same direction by the imperatives of international competition.**

Competitive State: C. Pierson and N. Ellison (2003):¹⁹

Under these radically changed circumstances, progressives have to shift their aspirations from the defence of the welfare state to the active promotion of the 'competition state'. **It is no longer possible for the state itself to guarantee the economic security and social protection of its citizens. Its new challenge is to legislate for flexibility and the enhancement of human capital in a symbiotic relationship with domestic civil society and an increasingly global business and financial community.** The new agenda also requires a quite new dispensation for both governors and citizens. In welfare, what had once been seen as largely a technical issue or else a question of the state's responsibility for its citizens is increasingly recast as an issue of the moral responsibility of individuals to provide for their own well-being, supported by the state. 'Passive welfare' is no longer an option. Citizens have to be encouraged and enabled to be active entrepreneurs in the promotion of their own welfare.

Social Investment State, Positive Welfare

A. Giddens (1998) – **social investment state** which will promote positive welfare, to which individual themselves contribute and which is functional for wealth creation.²⁰ **Positive welfare** – to allow individuals and groups to make things happen rather than have things happen to them (1994). Autonomy, active health, life-long learning, initiative and risk taking as well as protection from risk.

R. Levitas (1998) – social integration, stressing inclusion via participation, above all in the labor market, has taken a priority over a redistributive egalitarian discourse.

H. Glennerster (1999):²¹

¹⁸ Taylor-Gooby, P., "In defence of second-best theory: state, class and capital in social policy," *Journal of Social Policy*, 26 (2), 1997, 171-92.

¹⁹ N. Ellison and C. Pierson (eds.), *Developments in British Social Policy*. Palgrave, 2003.

²⁰ A. Giddens, *The Third Way: the renewal of social democracy*. Cambridge: Polity Press, 1998.

²¹ Glennerster, H., A Third Way, *Social Policy Review* 11 (1999).

viewed a new kind of welfare state where we see a strong commitment to basic welfare services alongside an acceptance of the low-wage, flexible labor market that was created by successive Conservative governments, together with a commitment to both in-work subsidies and labor market activation programs. Welfare benefits have been tied to work via policies to get people into employment and to make work pay, with welfare services, especially health and education, then being justified in terms of social investment. The key linkage is between social and economic policy and the key mechanism is the recasting of the work/welfare relationship via the emphasis on responsibility and opportunity.

Welfare state adaptation (Huber and Stephens 2001)

Emphasis on active rather than passive labor market policies, expansion of public child and elderly care to facilitate higher women's labor force participation, provision of social protection for part-time work, greater flexibility in hiring and firing for small and medium-sized enterprises, and partial funding of pensions and other social transfer to increase fiscal robustness of the systems and increase the savings rate in the national economy.

Schumpeterian workfare post-national regime (Jessop, 1994, 2000).

The state gives emphasis to open deregulated markets, promotes labor market requirements for a flexible workforce in its social policy, and gives an enhanced role to non-state agencies and their inter-relationships through networks and partnerships for the delivery of state policies.

OECD: 1994:52

Old welfarism of full employment, universal basic state services is challenged by the new welfare of investment in social infrastructure, selectivity, opportunity and the mixed economy of private and public provision. **Welfare spending is justified through its contribution to economic success** – for example: non-inflationary growth.... And political and social stability are enhanced by....social expenditure (OECD, 1994:12).²²

European Union

Attempts to review the inter-relationships between social policy and economic performance.²³

EU has put the need to **maintain the competitive and dynamic knowledge-based economy as the top priority. Sustainable economic growth can only be achieved through strategy promoting employment and social cohesion** (creating more and better jobs, facilitating job mobility, modernizing social protection and promoting social inclusion).

Strengthen the role of Social policy as a **productive factor, not an impediment to economic performance** - Integration into labor market is the most effective way to combat exclusion. Redirecting public expenditures to improve efficiency and investment in people. "Social policy strategy should shift from "inclusion through decent income provisions" toward "inclusion through participation in work" – transition from passive social policies (income provision) to an emphasis

²² OECD, *New orientations for social policy*, studies no. 12 (Paris: OECD, 1994).

²³ Berghman, J. Fourage, D. and Govaerts, K. *Social protection as a productive factor, collecting evidence of trends and cases in the EU*. Report at the demand of the Commission of the EU – DG V. Leuven: European Institute of Social Security, 1998.

on active policies (promotion or enforcement of participation).²⁴

The EU green paper on social policy outline the guiding principles which link social policy to “stable growth of output and jobs and to social and political stability” while recognizing the importance of budgetary restraint and the significance of the mixed economy of welfare.²⁵

The role of social policy...is to provide a framework which enables the fullest participation possible in all aspects of society for its citizens – supporting them in their efforts to balance work, learning care, care for dependents and leisure.

The social and economic costs of non-social policy:

It has also outlined the costs of non-social policy.²⁶ – social and economic (opportunity) costs of not having social policies of adequate quality - higher crime rates, social disturbance, and social unrest. Social cohesion contributes to positive social climate for investment and employment. The investment component of social policy (versus the more visible and immediate redistribution and consumption dimension) has long term benefits which are more difficult to identify and quantify. Social and economic policies are inter-related and there is potential for win-win situation – an investment approach tries to achieve high level of employment, equality and balanced budget. Strategies include education and training, life-long learning and equal opportunities, and flexible employment market (self-employment and part-time jobs), targeting the unemployed, older workers, migrants, and women.

Third Way (The New Labor)

The Third Way, as advocated the prominent sociologist A. Giddens of London School of Economics, has received support a variety of countries, including U.K., New Zealand, Korea, Argentina and Chile, US under Clinton.

The First and the Second Way

The left (first way) based on socialist ideas, see welfare based on rights and redistribution. The acceptance of market is universal, even in socialist countries. The socialist approach is weak on work incentives and responsibilities.

The right (second way), based on neo-liberalism would aggravate unemployment, inequalities and social division. Emphasize on individual to fend themselves against insecurity and changes.

Third Way – left of center ideology

- rights and responsibilities should be equally emphasized (strike a new balance). “No rights without obligations/ responsibilities”. T. Blair (1993) “without responsibility, there is no society.” From each according to his ability; To each according to his needs.
 - o Communitarianism – restoring the balance between the two (A.

²⁴ R. V. Berkel and I. H. Moller (eds.), *Active Social Policies in the EU – Inclusion through Participation?* (Bristol: The Policy Press, 2002).

²⁵ EU. European social policy: options for the union, Green Paper. (EU: Luxembourg, 1994).

²⁶ D. Fouarge (2003). Costs of non-social policy: towards an economic framework of quality social policies – and the costs of not having them. Report fro the Employment and Social Affairs, Commission of the European Communities, January 3 (Brussel); European Commission (2000). Social Policy Agenda. Luxembourg: Office for Official Publications of the European Communities; Communication from the Commission to the Council, The European Parliament, The European Economic and Social Committee of the Regions, Commission of the European Communities (2003). Scoreboard on the Implementing the Social Policy Agenda. 6.2.2004, Brussels.

Etzioni 1995).²⁷ Too much attention has been devoted to securing “rights” and too little given to duty and social responsibility. The result has been an increasingly atomized world with a declining sense of civic virtue and moral purpose.

- not an egalitarian society, but equal in opportunity.²⁸
- Investment in skills and capabilities, life long learning.
- Promoting independence wherever possible, particularly through employment.²⁹ Incentives for work, flexible labor markets (widen access to paid employment and to make such work ‘pay’.) Social inclusion through participation in employment.
- role of the state – reforming the state to become more responsive and customer oriented. A strong state is not a large state. The state has the responsibility to provide real opportunities for individuals to gain skills and to get into work that pays. Individuals also have the responsibility to grasp those opportunities
- Emphasize on the role of civil society and business sector – supporting voluntary organizations, promoting Corporate Social Responsibility and public and private partnerships (PPP).

A new social contract on rights and responsibilities

“What works” - “education, entrepreneurial culture, flexibility, devolution and social capital” (Giddens, 2000). A new social contract linking rights to responsibilities:

Often we have spelled out the rights much more than the responsibilities. People should assume responsibility for the consequences of what they do, in respect both of themselves and others. *Allocating citizens rights of provision, especially welfare rights, without spelling out of responsibilities, creates major problems of moral hazard in welfare systems.* Welfare systems that aren’t integrated with obligations can also provide a culture of deceit – expressed, for example, in high levels of welfare fraud (Giddens, 2001: 8).

Active citizenship – citizens should actively exercise their right to engage in the governance of their society and to forgo the passive dependence arising from welfare state provision. Citizens have responsibilities as members of that society, including the responsibility to care for their fellow citizens.

UK 1998 Green Paper on welfare reform:³⁰

The welfare state now faces a choice of futures. A privatized future, with the welfare state becoming a residual safety net for the poorest and most marginalized; the status quo, but with more generous benefits; or the government’s third way – promoting opportunity instead of dependence, with a welfare state providing for the mass of the people, but in new ways to fit the

²⁷ Etzioni, A. *Spirit of community – rights, responsibilities and the communitarian agenda* (London: Fontana Press, 1995); Tam, H. *Communitarianism: a new agenda for politics and citizenship* (Basingstoke: Macmillan, 1998).

²⁸ T. Blair (2002), Labor’s vision:

we favor true equality: equal worth and equal opportunity, not a crude equality of outcome focused on incomes alone. Strong public services – universal but personalized – are fundamental to this vision of a fairer, more prosperous society.

²⁹ The government’s aim is to rebuild the welfare state around workOur ambition is nothing less than a change of culture among benefit claimants, employers and public servants, with rights and responsibilities on all sides. Those making the shift from welfare into work will be provided with positive assistance, not just a benefit payment (DSS, 1998: 23-4). (Miller 2003: 39).

³⁰ DSS, *New ambitions for our country: a new contract for welfare* cm 3805 (London: HMSO 1998).

modern world.

Stakeholding: a strategic retreat:

T. Blair constructing a cohesive stakeholder society built on opportunity, responsibility, fairness and trust (Deacon, 1997):

We need to build a relationship of trust not just within a firm but within society. By trust, I mean the recognition of a mutual purpose for which we work together and in which we all benefit. It is a Stakeholder Economy in which opportunity is available to all, advancement is through merit and from which no group or class is set apart or excluded. This is the economic justification for social cohesion, for a fair and strong society.

A stakeholder economy meant tackling unemployment and establishing a stakeholder welfare system. A company or community or partnership where each member has a stake, and where a company's responsibilities are clearly delineated.

The most meaningful stake anyone can have in society is the ability to earn a living and support a family. Economic opportunities for all.

Workfare: Welfare-to-work policy in UK and US³¹

Active concern to provide incentives for the unemployed, young old, lone parents, the disabled, the young people to move into labor markets.

Work First approach: "rebuild the welfare state around work". "Work for those who can; security for those who cannot." (DSS, 1998). Work is the key to get people out of poverty and get socially included. Any job is better than no job.

Ending welfare entitlement: "End welfare as we know it" (B. Clinton). *Conditionality - no rights without responsibility* (all social provisions are in fact conditional. Social insurance depends on contribution and social assistance depends on means test)

- US: TANF 1996 introduced. Time-limited (maximum five year assistance period) and job-focused assistance (single parents have to work when their child reach one-year old).
- Child care, tax credits, employment counseling, expand earned income disregards, job seeking requirements, post employment services, overcoming employment barriers, preventing long-term unemployment. (*making work pay*).
- Dramatic decline in caseload. Most moved into employment (low income, not yet out of poverty). No clear indication of negative effects on child development due to parental employment (Waldfogetl 2001).³²

People are better off if they are working than receiving cash transfer from the government (From active employment-focused to passive maintenance oriented

³¹ Department of Work and Pensions, U.K. Government, The changing welfare state: employment opportunity for all (November 2001). www.dwp.gov.uk.

³² G. Duncan, P. L. Chase-Lansdale (eds.). For better and for worse – welfare reform and the well-being of children and families (New York: Russell Sage Foundation, 2001) ;Quaid., M. Workfare why Good Social Policy Ideas Go Bad (Toronto: University of Toronto Press, 2002); M. Evans, welfare to work and the organization of opportunity – lessons from abroad, Centre for Analysis of Social Exclusion Report 15, London School of Economics (2001). <http://sticerd.lse.ac.uk/Case>; G. Hamilton, Moving People from Welfare to Work – lessons from the National Evaluation of Welfare-to-Work Strategies, Report submitted to U.S. Department of Health and Human Services, Administration for Children and Families (July 2002), <http://aspe.hhs.gov/hsp/NEWWS/synthesis02>; J. Waldfogetl, et al., welfare reform and lone mothers' employment in the US, Centre for Analysis of Social Exclusion, London School of Economics, June 2001. <http://sticerd.lse.ac.uk/case>

welfare). Mandating work, making work pay, and helping with child care are key areas contributing to success.

Social Capital:³³

Linking social policy to social capital- promoting of trust and collaboration.

Social Capital (social ties) shows contribution to:

- economic growth (Putnam, 1993³⁴, 2000; OECD, 2001, Fukuyama 1995; Midgley and Livermore 1998; World Bank³⁵, Temple 2000³⁶, Coleman 1986; Knack and Keefer 1997³⁷). (The contribution of social capital to economic growth is more complicated and contested). Divided societies have difficulties in coping with adverse economic shocks.
- Reduce suicide (Durkheim)
- Promote health, increase life expectancy,
- Enhance education, school achievement (Coleman 1988)
- Reduce crime
- Enhance employment, job search
- Poverty alleviation
- Reduce child abuse
- Promote quality of life and life satisfaction

Policy support to voluntary sector, public education, linking vulnerable groups to other social and business sectors, ending social exclusion.

Implications: Lessons and Learning for Hong Kong

Social policy should be interpreted as investments in human and social capital (building capacity), conducive to higher economic efficiency, productivity and quality of the labor force. An asset rather than a liability. There should be a better balance between economic and social policy (efficiency and equity), but not seeing them as mutually-exclusive. The development of social and human capital is essential to respond to the changing economic conditions and enhance competitive advantage.

There are economic costs to social policy (social security expenditures). Social policy also compensates negative income shocks due to unemployment, disability or old-age. The active and complementary view of social policy sees the government as a facilitator of collective action among actors in the promotion of an active investment-oriented social policy. It also implies an active government, an active society and an active individual.

³³ The National Economic and Social Forum, Ireland Government. *The Policy Implications of Social Capital*, forum report no. 28, May 2003; Performance and Innovation Unit, UK Government. *Social Capital – a discussion paper* (April 2002); J. Field, *Social Capital* (Routledge, 2003); S. Body-Gendrot and M. Gittell (eds.). *Social Capital and Social Citizenship* (Lanham, Maryland: Lexington Books, 2003); Montgomery, J. and A. Inkeles (eds.), *Social Capital as a Policy Resource* (Boston: Kluwer Academic Publishers, 2000); Hooghe, M. and Stolle, D. (eds.), *Generating social capital – civil society and institutions in comparative perspective* (Basingstoke, Hampshire: Palgrave Macmillan, 2003);

³⁴ Putnam, R. *Making democracy work: civic tradition in modern Italy*. Princeton, NJ: Princeton University Press, 1993); R. Putnam, *Bowling Alone: the collapse and revival of American Community* (New York: Simon and Schuster, 2000); R. Putnam and Feldstein, L., *Better Together: restoring the American community* (New York: Simon and Schuster, 2003); R. Putnam, (ed.), *Democracies in Flux: the evolution of social capital in contemporary society* (New York: Oxford University Press, 2002).

³⁵ www.worldbank.org/poverty/scapital

³⁶ Temple, J. *Growth effects of education and social capital in the OECD countries*. Paris: OECD, Economics Department Working Papers No, 263, 2000.

³⁷ Knack, S. and Keefer, P., Does social capital have an economic payoff? A cross-country investigation, *The Quarterly Journal of Economics*, 112 (4), 1997: 1251-1288.

- social investment is a “buzz word”, a concept used by more countries and welfare policy analysts. But it is not yet a coherent concept. Each country may use the term according to its own interpretation.
 - *Active development of labor market, employment training, volunteering (user turned volunteers), pension reforms, life-long learning, active aging, work assistance for the unemployed and vulnerable groups (disabled and single parents), family-friendly employment policy, social cohesion, child care programs, social inclusion, urban renewal projects, child care support (facilitating female employment), job creation, community-based care with the emphasis on the role of family and informal carers, engaging users and carers, and user-pay/ co-payment.*
 - Rights, equality, redistribution to investment, responsibility, and conditionality, and contribution (use of incentives and compensation to support labor force participation). All welfare involves re-distribution and rights, but they should be balanced or integrated by the economic considerations.
 - Users as active participants, co-production of services. Active citizenship and active responsibility to earn community support. More acceptable and appealing to people seeking partnerships and collaboration.
 - Role of the state – facilitating and ensuring equality of opportunity, not equality of outcomes. The premise is that a strategy against poverty cannot be simply the responsibility of the government. It must involve all sectors of society. For poverty to be tackled properly, every sector must play its part.³⁸
- Responsibility for all – private, state, voluntary, individual, and family.**

Looking into the future by learning from the past - Reviewing the traditional strengths and weaknesses of our social welfare system.

Jones 1993: comments on the features of Asian Welfare:³⁹

Overriding primacy for economic growth as a policy goal, faith in the family as a provider of welfare, emphasis on duty and obligation, belief in order and social stability as the very basis of welfare, a distaste for politics, a concern to build and reinforce community, low expectations of the state, a lack of interest in social justice, social rights and redistributive policies, and an underlying anxiety about the implications of Western-style welfare state policies.

For deliberation:

- ✧ Are these features, strengths or weaknesses of our welfare system?
- ✧ Can our system face the new challenges?
- ✧ I hope the concept of social investment can provide a common language for not only the welfare sector but the other sectors to engage in a **dialogue**.
- ✧ We need to clarify our interpretations of the concepts and translate them into coherent policies.

³⁸ C. Howarth, P. Kenway, G. Palmer, *Responsibility for all: a national strategy for social inclusion* (London: New Policy Institute and Fabian Society, 2001).

³⁹ See also Holiday and Wilding 2003; Goodman and Peng, 1996; Deyo, 1992, Tang, 2000.