1999

Working for A Living: A Comparison of the Public Assistance and Employment and Training Programs of Sweden, the United Kingdom, and the United States

Brendan Conor Kelly

College of Saint Benedict/Saint John's University

Follow this and additional works at: http://digitalcommons.csbsju.edu/honors_theses

Part of the Peace and Conflict Studies Commons, and the Political Science Commons

Recommended Citation

http://digitalcommons.csbsju.edu/honors_theses/718

Available by permission of the author. Reproduction or retransmission of this material in any form is prohibited without expressed written permission of the author.
Working for A Living: A Comparative Analysis of the Public Assistance and Employment and Training Programs of Sweden, the United Kingdom, and the United States.

Honor's Thesis
The Honors Program
College of St. Benedict/St. John's University

In Partial Fulfillment of the Requirements for the Distinction "All College Honors" and the Degree Bachelor of Arts in the Departments of Political Science and Peace Studies

by

Brendan Conor Kelly
April, 1999
Appendix E: Honor's Thesis Approval Page

PROJECT TITLE: Working for A Living: A Comparative Analysis of the Public Assistance and Employment and Training Programs of Sweden, the United Kingdom, and the United States.

Approved by:

Gary F. Prevost, Committee Chair (Professor, Department of Political Science)

James T. Murphy (Professor, Department of Political Science)

Joseph Friedrich (Professor, Department of Economics)

James Read, Chair, Department of Political Science

Rene McGraw, Chair, Department of Peace Studies

Margaret Cook, Director, Honors Thesis Program

Charles Bobertz, Director, Honors Program
TABLE OF CONTENTS

PREFACE ......................................................................................................................... iv

INTRODUCTION ............................................................................................................. vii

Chapter One: Poverty in Comparative Perspective ...................................................... 1

Chapter Two: Sweden .................................................................................................... 22

Chapter Three: The United Kingdom .......................................................................... 46

Chapter Four: The United States ................................................................................. 68

Chapter Five: Recommendations and Conclusion .................................................... 101

BIBLIOGRAPHY ........................................................................................................... 131
PREFACE
This paper is the result of extensive research, deliberation and critical thinking that has spanned more than one year. It started with conversations between my advisor, Gary Prevost, and myself on a study abroad program in Ireland. It is the reflection of a personal dichotomy that is still unresolved. I have always been torn between the studying United States domestic politics and international politics. I have attempted to “solve” this problem by combining the two in this study.

My basic starting point is the idea that everyone can learn something from the experience of others; whether it be state legislators learning from the experiences of their neighboring states, or national policymakers learning from the experiences of other countries similarly situated. Implicit in this statement however, is the conscious recognition that no one example can be directly transplanted to another political community. Every distinct political community will have to modify the examples of others to some degree or another to fit its particular cultural norms and values.

Conscious of the comparative nature of this paper, Although I make a few recommendations for improvements in Sweden and the United Kingdom based on the US experience, my starting point and focus remains the state of poverty and welfare policy in the United States. The reasons for this are twofold: first, I believe that in terms of satisfying their social policy goals, the United States has the most work remaining, and second, as a citizen of the US, my frame of reference and primary concern is with US social policy.

With that in mind, I start with a problem that all industrialized countries seek to ameliorate – economic poverty. By looking at poverty and welfare policies in a comparative perspective, I hope to bring to the debate some policy recommendations that might otherwise not be included in contemporary debates about American social policy. I am aware that these policies are not without their critics in their home countries, but believe their interjection into the present debates are both constructive and relevant.
Although the research on this project has been conducted over the past year, this paper is really the result of over four years of education at St. John’s University. I would be remiss if I did not thank some the people whose support and influence has made this work possible. Manju Parikh, Jim Read, and Fr. Rene McGraw have been instrumental in providing support from the Political Science and Peace Studies departments, allowing me to tailor my majors to fit my concern for the quest for justice. Phil Kronebusch and Jeff Anderson have been incredible teachers, advisors, and friends. Through their willingness to read quite a bit of writing and provide timely and useful, Joe Friedrich and Jim Murphy have more than filled their duties as committee members. In numerous ways my family has gone beyond the call of duty in supporting my education. By supporting me in my summer internships and study abroad programs, they have taught me to believe that anything can be done, it’s just a matter of figuring out how to do it.

In a way, this project began on September 5, 1995 at the first gathering of my Honor’s Symposium entitled “The Quest for Social Justice.” Since that sunny September day, no two people have been as influential in my personal and intellectual development as Gary Prevost and Amy Hertel. They have challenged me to examine critically examine how I look at the world, how I look at others, and how I look at myself. In addition to being a good golf companion, Gary has been an incredible mentor. Through his personal example he has taught me how to combine a dedication to scholarship and a commitment to social justice. Amy has been invaluable as my biggest critic and biggest fan. She has been supportive, understanding, and willing to make sacrifices, even in times when she had no reason to be. Most importantly, while being my best friend, Amy has opened my eyes to the human suffering around me and taught me how this suffering is incompatible with love. This project would not have been possible without the support of either Gary or Amy, and to them I am eternally grateful.
INTRODUCTION
In the beginning of *A Theory of Justice* John Rawls writes, "Justice is the first virtue of social institutions, as truth is of systems of thought. A theory no matter however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust."¹ By failing to ensure the availability of opportunity for all individuals to be self-sufficient and providing for those who cannot provide for themselves, the institution of the American welfare state falls short of Rawls’s demand. In the pages that follow I describe the present condition of the American welfare state in comparison to two other industrialized nations – Sweden and the United Kingdom – and how policymakers could learn from these examples in order to meet Rawls’s test.

Recently the American welfare state has undergone dramatic changes. These changes are not surprising given the present international context. Across the globe, the welfare state is under siege. Economic and social forces, including changing demographics, slowdowns in economic growth, high levels of unemployment, the ascendancy of market forces, and the push for privatization of economic and social activities, have come together to challenge government’s role in providing for the needs of its citizens. These economic and social factors are combined with the ascendancy of a political philosophy, embraced by parties on both the right and left, that calls for government action to be reduced in favor of action by private and non-profit organizations. In particular, the acceptance of this belief by parties on the left, parties that have traditionally defended government’s role in protecting the disadvantaged, has contributed to cutbacks in public assistance programs.² At a time when dramatic changes are taking place, it is important to examine such changes and assess their consequences. Since these changes are

---

² I will avoid using the term "welfare" in favor of terms such as "public assistance," "social assistance," or "anti-poverty programs." This is done for two reasons. First, in the American context the term welfare is typically used to describe one particular program Aid to Families with Dependent Children (AFDC), now Temporary Assistance to Needy Families (TANF). Since my focus is broader than just TANF, I chose to use these alternatives. Second, I use these terms for consistency in describing the group of anti-poverty programs that are referred to differently in each of the three countries.
occurring across the globe, I adopt a comparative approach that focuses on the social assistance programs of Sweden, the United Kingdom, and the United States.

Although different states have different conceptions of the role of government in providing or securing a certain level of economic well-being, all industrialized countries endeavor to provide some minimum level of existence and or ameliorate the effects of economic poverty on their citizens. Various welfare state programs are then constructed in response to the problem. Quite simply, economic poverty is the problem; social assistance programs are the solution. The focus on my analysis is on how each of these countries attempts to solve the problem of economic poverty through income support and employment and training programs.

In modern capitalist democracies, welfare state programs include the areas of housing, health care, education, pensions and retirement security, income support, unemployment benefits, taxes, and a variety of other programs. The extension of these programs through any system of communal provision assists in reducing economic poverty. To properly examine all of these programs would be a more massive undertaking than I am attempting here. Instead, my goal is to compare two aspects of the social policy in Sweden, the United Kingdom, and the United States: (i) public assistance programs designed to provide individuals and families with adequate income and the corresponding measures designed to move individuals off assistance and into employment (policies commonly referred to in the United States as "welfare to work"); and (ii) programs designed to prepare low-income or low-skilled persons for participation in the labor market through employment and job-training programs.

The question that concerns me most is, "What can Sweden, the United Kingdom, and the United States learn from one another’s public assistance and employment programs so they can create conditions of justice by adequately providing for the needs of all their citizens?" Thus, in this paper I compare how economic poverty is reduced through the public assistance and employment and training programs in three models of the democratic welfare state – Sweden, the United Kingdom, and the United States. I begin by analyzing the economic poverty and unemployment rates in a comparative perspective. This comparative starting point is essential to understanding how well and how poorly each nation is doing,
relative to the other. The next three chapters examine the facts behind the figures in each state. In turn, I will provide an overview of the historical development of the welfare state in Sweden, the UK, and the US, as well as descriptions of the income support and employment and training programs in each country. These three features will be consistent in each chapter on the different countries. However, since each country’s programs are at different stages, there will also be a discussion on the unique situations facing each country at the present moment. For example, in the chapter on Sweden I will examine the causes and consequences of the present crisis. Since reforms to the welfare state in the United Kingdom have been fairly recent I will explore some of the motivations behind the changes advanced by New Labour, as well as providing more details about the specific of the new welfare to work programs. In the chapter on the United States I will explore the prospects for the poor in the wake of the Personal Responsibility and Work Opportunity Act based on some of the early data. After reviewing the three countries, I conclude with a series of recommendations, mostly focused on changes in US policy, based on the lessons learned from the experiences of the other nations, as well as an understanding of the political constraints of each country.

It could be argued that the policies or programs from Sweden and the United Kingdom cannot be imported to the United States incompatible with the American political tradition and institutions, and vice versa. There is a great deal of legitimacy to this argument. As I will discuss more deeply in the conclusions, differences between the countries make certain programs difficult to copy. However, none of my recommendations are to simply transplant programs from one country to another. My recommendations account for differences that could prevent the success of one country from being reproduced in another. For example, differences in size and scope of the labor markets in Sweden and the United States make importing some specific programs difficult. Given that all three countries have a common objective – lower poverty through employment – and similar economic resources, successful experiments in one country can serve as models for others, even if exact programs are not replicated.

In addition to laying out a series of reforms for each country, the final chapter discusses justice in the context of the welfare state. Although a more detailed discussion comes later, my recommendations
are based on the principles of communal provision and mutual obligations, principles that have been at the heart of the American welfare state since its inception but have been lost in recent debates. These principles demand that all members of the community have a minimum standard of living provided either from the individual’s labor or if they are unable to work, from the community through public assistance programs. To any member of the community who cannot reasonably achieve the minimum, society has an obligation to provide it through the extension of a system of communal provision. In turn, those who receive public assistance from the state, have the obligation to take advantage of opportunities provided by the state to move off public assistance and toward economic self-sufficiency. The provisions are communal in the sense that they are provided to everyone in the community as a right of citizenship; the obligations are mutual in that both the beneficiary and the benefactor have reciprocal demands. My recommendations are a way for these principles to become real and for the demands of justice to be fulfilled.

---

3 For a more detailed discussion of communal provision, see Michael Walzer’s Spheres of Justice. For more details on mutual obligations see John Rawls’s A Theory of Justice and James Q. Wilson’s The Moral Sense.
CHAPTER 1:

THE STATUS OF THE POOR IN

A COMPARATIVE PERSPECTIVE
Defining Poverty in Comparative Terms

The inability of individuals and families to have an adequate income to support themselves and government's ability to provide support when its citizens cannot are common concerns among all modern democracies. This is because, as Michael Walzer notes, it is in the nature of every democratic state to be a welfare state. That is, the *raison d'être* for government is to provide for the economic, social, and political welfare of the citizens of that community. When individuals or families fall below a threshold where they have an adequate income to support themselves, they are commonly referred to as being "in poverty."

In the United States there is a standard, quantifiable definition of the level of income at which a family is considered "in poverty." Unfortunately, no such uniform standard exists for international comparisons. The idea of measuring poverty is an Anglo-American concept that is only now being used in other industrialized countries. In fact, only the United States (U.S. Bureau of the Census 1995) and the United Kingdom (Household Below Average Incomes or HBAI 1993) have "official" poverty series. This does not mean however, that attempts have not been made to come up with measurements. In fact, since the late 1970's three approaches to measuring poverty in an international context have been developed; they are the absolute, the relative, and the subjective approach.

The absolute approach calculates an objective, absolute minimum level of basic needs (food, shelter, clothing, etc.) required for subsistence and defines that amount as the threshold for poverty. Families whose income falls below this threshold are considered to be "in poverty." This is the approach by which the Census Bureau calculates poverty rates in the United States. The advantage to this approach is that it permits researchers and analysts to easily identify and quantify poverty. The difficulty arises

---

2 A more detailed discussion of the United States poverty line and its failure to adequately represent the portion of the U.S. population that lacks an adequate income is contained in Chapter 4.
when the level of subsistence changes. As I will explain later, the United States definition of poverty was originally calculated based on the income required for an adequate diet; however as dietary and income needs have changed the poverty rate has, by and large, stayed the same. Furthermore, as Forester points out, “cross-country comparisons are extremely difficult because the absolute measures are always defined on a national level.”

The second approach to measuring poverty, and the one that I will use when drawing international comparisons, is the relative approach. The relative method judges incomes as low by calculating the economic material resources available to households relative to level of needs and economic well-being of the entire population. It thus takes into account the different levels of well-being within a society and how it changes over time. Furthermore, these measures allow researchers to compare incomes across countries because they are not dependent on any country’s particular set of basic needs. This is the method used by a number of international research organs including the Organization for Economic Cooperation and Development (OECD) and the Luxembourg Income Study (LIS). One method of measuring relative poverty is to establish the threshold based on the bottom percentile (either one-fourth or one fifth) of income distribution. I prefer instead to use the “economic distance” approach simply because much of the data that is available comes from sources, either the OECD or LIS, that rely on this measurement. To calculate poverty using the economic distance approach “equivalent disposable income is calculated for all families, and then, attributing that income to each person in the family, the median equivalent disposable income of all the persons is established.” The poverty line is then defined as a percentage of that median (frequently fifty per cent).

---

7 Two additional measures of relative poverty are also included in some of the following data. Forty per cent of the median is chosen because converted into dollars and pounds, it is close to the level of United States poverty line and the U.K. poverty line derived from Supplementary Benefit. Sixty per cent is used as well because this is the
The final method, the subjective, examines poverty in terms of “relative deprivation.” These studies are based on the concept, that people are deprived when they cannot “participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the society to which they belong.” From a sociological point of view, this definition can be extremely useful in defining poverty in terms of those who cannot fully participate in society. In developed countries, such as those profiled in this study, social participation is quite dependent on the economic resources available to a household. Thus income measurements, such as economic distance, are partly able to account for the “social participation” factors that are the focus of relative deprivation analyses. As such, I will rely mostly on the “economic distance” calculations unless otherwise indicated. Given this foundation, we can begin to compare the poverty levels across countries using data from the 1995 Luxembourg Income Study.

Comparative Poverty Rates – General

Beginning with the standard economic distance measurement of 50 percent of the median income, the extent of poverty among industrialized nations ranges from a high of 19.1 percent in the United States to 5.4 percent in Luxembourg (Table 1.1). Within this survey the United Kingdom is positioned second to the United States with a rate at 14.6 percent. In contrast to both of these nations, Sweden is near the bottom of the survey with a poverty rate of 6.7 percent. However, because the percent of persons living below any relative (or absolute) poverty line may be sensitive to where the line is drawn, it is important to take into account the percentages based on other alternative thresholds. If the threshold for economic distance is changed from 50 percent of the median to either 40 or 60 percent, we can examine this issue directly. These changes reveal the same picture of poverty approximately the same picture of overall poverty, regardless of the threshold.

---

minimum income level where Scandinavian welfare states typically set their safety net benefits packages. (See Forster, 1994 and Smeeding 1997.)

TABLE 1.1: Overall Level of Poverty (in percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Australia</td>
<td>1989</td>
<td>7.0</td>
<td>12.9</td>
<td>20.0</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>1992</td>
<td>2.6</td>
<td>5.5</td>
<td>11.0</td>
<td>15</td>
</tr>
<tr>
<td>Canada</td>
<td>1991</td>
<td>7.0</td>
<td>11.7</td>
<td>17.2</td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td>1992</td>
<td>4.1</td>
<td>7.5</td>
<td>14.9</td>
<td>12</td>
</tr>
<tr>
<td>Finland</td>
<td>1991</td>
<td>2.8</td>
<td>6.2</td>
<td>11.5</td>
<td>13</td>
</tr>
<tr>
<td>France</td>
<td>1984</td>
<td>4.3</td>
<td>7.5</td>
<td>12.3</td>
<td>9</td>
</tr>
<tr>
<td>Germany</td>
<td>1989</td>
<td>5.2</td>
<td>7.6</td>
<td>12.6</td>
<td>7</td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>4.4</td>
<td>11.1</td>
<td>20.0</td>
<td>8</td>
</tr>
<tr>
<td>Italy</td>
<td>1991</td>
<td>2.7</td>
<td>6.5</td>
<td>12.6</td>
<td>14</td>
</tr>
<tr>
<td>Japan</td>
<td>1992</td>
<td>6.9</td>
<td>11.8</td>
<td>NA</td>
<td>4</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1985</td>
<td>1.8</td>
<td>5.4</td>
<td>11.2</td>
<td>17</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1991</td>
<td>4.3</td>
<td>6.7</td>
<td>12.5</td>
<td>9</td>
</tr>
<tr>
<td>Norway</td>
<td>1991</td>
<td>2.4</td>
<td>6.6</td>
<td>12.5</td>
<td>16</td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>5.5</td>
<td>10.4</td>
<td>17.6</td>
<td>6</td>
</tr>
<tr>
<td>Sweden</td>
<td>1992</td>
<td>4.2</td>
<td>6.7</td>
<td>12.1</td>
<td>11</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1991</td>
<td>6.7</td>
<td>14.6</td>
<td>22.8</td>
<td>5</td>
</tr>
<tr>
<td>United States</td>
<td>1994</td>
<td>13.2</td>
<td>19.1</td>
<td>25.4</td>
<td>1</td>
</tr>
</tbody>
</table>

Overall Average 5.0 9.3 15.4

Source: Smeeding, Timothy M. *Financial Poverty in Developed Countries: The Evidence from the Luxembourg Income Study*. Poverty and Human Development, Human Development Papers 1997, 1997: 208. (Averages are not weighted for population differences.)

One startling difference is the fact that among industrialized nations, "deep" or extreme poverty in the United States stands out much more clearly at the 40 percent standard. Here again the United States is at the top (13.2 percent), but this time with a percentage that is nearly twice that of the next highest country (Australia, 7.0 percent). For all seventeen countries in the survey, the average poverty rate at this point is only 4.9 percent. Furthermore, when compared with the other nations profiled in this paper, the United States stands in stark contrast to the United Kingdom, whose rate is less than half that of the United States (6.7 percent), and Sweden, with a rate (4.2 percent) just less than a third of the United States. Standing alone these figures should give pause to American policymakers, but when coupled with the fact that this measurement is almost exactly the same as the Census Bureau’s definition of poverty,

---

9 Although I focus on Sweden, the United Kingdom and the United States, I am including the data from the other countries in the survey to provide some more perspective.
they demonstrate the depth of the problem of poverty in the United States. It is my contention that what has been considered "acceptable" in the United States is extreme, when compared with other countries, and unacceptable for a developed country.

Using the 60 percent standard closes the gap between the United States and the rest, with the United Kingdom, Australia, and Ireland within 6 percentage points of the United States.\(^{10}\) At this income range, the average poverty rate for is 15.4 percent, and even the traditionally more generous welfare states of Scandinavia have rates over 11 percent. While, the overall outlook of poverty remains the same. The United States is again at the top with over a quarter of the population below the standard; the United Kingdom is second, but closer to the United States than at other measures; and Sweden is at the bottom with a rate less than half of that of the United States.

Table 1.1 presents the basic framework for understanding economic distance poverty. As the discussion of poverty progresses one of the patterns that often repeats is the placement of our three countries in relation to one another. Most of the time, Sweden's poverty rates are the lowest, followed by the United Kingdom, and then the United States. Of special importance are those times when this order is switched in one way or another or when one of the countries stands in stark contrast to the others, such as the percent of the United States population in poverty using the 40 per cent of the median measurement.

One of the criticisms of the relative measure of poverty that I have chosen is that it does not take into account the fact that the poor may not be as poor in one country as in another. One way to measure this is by looking at poverty in absolute terms. The figures in Table 1.2 demonstrate the comparisons of absolute poverty using variations of two standards – the World Bank's standard poverty threshold for all countries ($1 per day per equivalent adult) and the official United States poverty line ($14.40 per day for a single person). Using this measure reorders the countries in the survey, but does not substantially alter the positions of the Sweden, the United Kingdom and the United States, relative to one another. Thus,

\(^{10}\) Although the data for all countries is a bit dated, especially given the changes in the welfare states of many of the countries, the data for Ireland is perhaps the most out of date. In the past decade the Irish economy has changed dramatically as a result of greater involvement in the European Union, as a result I doubt that the data accurately represents the Irish economy at this time.
TABLE 1.2: Absolute Measures of Poverty in 16 Countries (as a percent of total population)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>$1/day</th>
<th>$2/day</th>
<th>$4/day</th>
<th>$7.20/day</th>
<th>$10.80/day</th>
<th>$14.40/day</th>
<th>$18/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1989</td>
<td>0.6%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>2.2%</td>
<td>4.1%</td>
<td>7.8%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Belgium</td>
<td>1992</td>
<td>0.9%</td>
<td>0.9%</td>
<td>1.1%</td>
<td>1.6%</td>
<td>4.1%</td>
<td>12.0%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>1991</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.7%</td>
<td>1.3%</td>
<td>2.8%</td>
<td>5.9%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Denmark</td>
<td>1992</td>
<td>0.8%</td>
<td>1.0%</td>
<td>1.4%</td>
<td>2.1%</td>
<td>3.7%</td>
<td>7.6%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Finland</td>
<td>1991</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.5%</td>
<td>1.4%</td>
<td>3.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>France</td>
<td>1984</td>
<td>0.7%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>2.6%</td>
<td>5.2%</td>
<td>12.0%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Germany</td>
<td>1989</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1.8%</td>
<td>3.4%</td>
<td>5.9%</td>
<td>11.5%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>0.9%</td>
<td>1.3%</td>
<td>2.2%</td>
<td>4.6%</td>
<td>20.7%</td>
<td>36.5%</td>
<td>51.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>1992</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>2.4%</td>
<td>3.7%</td>
<td>NA</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1985</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.4%</td>
<td>0.9%</td>
<td>4.3%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1991</td>
<td>1.4%</td>
<td>1.9%</td>
<td>2.4%</td>
<td>3.2%</td>
<td>5.7%</td>
<td>14.4%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Norway</td>
<td>1991</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>1.1%</td>
<td>1.7%</td>
<td>2.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>0.3%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>3.3%</td>
<td>9.4%</td>
<td>21.1%</td>
<td>34.4%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1992</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.8%</td>
<td>1.7%</td>
<td>3.1%</td>
<td>4.6%</td>
<td>7.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1991</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.9%</td>
<td>1.9%</td>
<td>4.6%</td>
<td>13.1%</td>
<td>23.1%</td>
</tr>
<tr>
<td>United States</td>
<td>1994</td>
<td>1.1%</td>
<td>1.5%</td>
<td>2.3%</td>
<td>4.3%</td>
<td>8.4%</td>
<td>14.1%</td>
<td>20.3%</td>
</tr>
</tbody>
</table>

Overall Average | 0.60 | 0.80 | 1.20 | 2.2 | 5.3 | 10.9 | 20.5 |

Figure 1.1: Comparisons of Poverty using Absolute Measures

Source: Smeeding, Timothy M. *Financial Poverty in Developed Countries: The Evidence from the Luxembourg Income Study*. Poverty and Human Development, Human Development Papers 1997, 1997: 216. (Incomes are adjusted by $E=0.5$ where adjusted disposable personal income (DPI) = actual DPI divided by household size to the power E: Adjusted DPI = DPI/$s^E$. Penn World Tables, Mark V, were used to transform real incomes into 1985 US dollars. Averages are not weighted for population differences.)
although it may be the case that internationally, high relative poverty does not necessarily imply high absolute poverty, and vice versa, the countries I profile remain fairly steady regardless of the measure used. For the three countries profiled here differences in median income and the relative wealth of each country do not significantly alter the positions or overall percentage of the poor in each country.

So far, I have discussed poverty in very broad terms, not making distinctions between various portions of the population. These figures have left unanswered the important question, “Who are the poor?” In order to understand some of the differences in anti-poverty policy, it is also important that we understand the differences between the countries with regard to the demographics of the portion of the population in poverty. The next few sections will examine the differences in poverty rates within each country at various times, as well as differences by age and then by family composition.

Comparisons of Poverty Rates in Sweden, the United Kingdom, and the United States over time

Although the available data regarding poverty rates over time is somewhat sparse and very general, it allows us to measure how consistent the poverty rates at any one particular time are with those accumulated over a period of time. The graph and data chart in Figure 1.2 illustrates the variations and consistency in poverty rates in the 3 countries over time. Aside from the first year statistics from the United States and Sweden which are surprisingly inconsistent with the data from other years in the survey as well as other figures cited in this paper, the data for the three countries tends to reflect the general outlook of the three countries described earlier. One interesting note is the rise in the figures for the United Kingdom during the last two years. This could be due in part to poor economic times during these years. However, unlike absolute measures, relative approaches, and in particular the economic distance method, account for the effects of recessions by measuring poverty based on the entire nation’s wealth, not arbitrary standards that don’t change based on poor economic conditions. Therefore, part of the increase in poverty in the United Kingdom might be attributed to economic conditions, but not all of it. Besides examining poverty in the three countries over time, we can also examine so of the differences in poverty rates based on factors such as age and household composition.
FIGURE 1.2 Poverty Rates Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Sweden</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6</td>
<td>6.9</td>
<td>15.8</td>
</tr>
<tr>
<td>2</td>
<td>5.6</td>
<td>5.7</td>
<td>16.4</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>7.1</td>
<td>17.9</td>
</tr>
<tr>
<td>4</td>
<td>7.3</td>
<td>11.7</td>
<td>17.5</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>10.6</td>
<td>17.9</td>
</tr>
</tbody>
</table>


Comparative Poverty Rates – Differences by Age

One of the hallmarks of the developed welfare state has been the assurance of support from “cradle to grave.” As such, the first demographic variation I will consider is the poverty rates among the children, adults, and the elderly in developed countries. Of special concern are the poverty rates of children and the elderly. By and large, all welfare states accept the idea that government has a duty to care for those who cannot care for themselves. Since children and the elderly are often unable to be self-supporting, one of the measures of success for any welfare state is its ability to care for these persons.

Table 1.3 provides a general overview of the extent of poverty in seventeen developed countries. Using the standard economic distance measure and dividing the populations of each nation into three categories – children, adults, and elderly – allows us to investigate the poverty rates for each of these groupings. Again the overall picture is the same; the United States again has the highest poverty rate of
<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Overall</th>
<th>Elderly</th>
<th>Adults</th>
<th>Children</th>
<th>Overall</th>
<th>Elderly</th>
<th>Adults</th>
<th>Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1989</td>
<td>12.9</td>
<td>21.6</td>
<td>10.3</td>
<td>15.4</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Belgium</td>
<td>1992</td>
<td>5.5</td>
<td>11.9</td>
<td>4.6</td>
<td>4.4</td>
<td>16</td>
<td>8</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Canada</td>
<td>1991</td>
<td>11.7</td>
<td>5.7</td>
<td>11.2</td>
<td>15.3</td>
<td>5</td>
<td>14</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Denmark</td>
<td>1992</td>
<td>7.5</td>
<td>11.3</td>
<td>7.3</td>
<td>5.1</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Finland</td>
<td>1991</td>
<td>6.2</td>
<td>14.4</td>
<td>5.8</td>
<td>2.7</td>
<td>15</td>
<td>5</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>France</td>
<td>1984</td>
<td>7.5</td>
<td>4.8</td>
<td>8.1</td>
<td>7.4</td>
<td>9</td>
<td>15</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Germany</td>
<td>1989</td>
<td>7.8</td>
<td>7.5</td>
<td>7.3</td>
<td>8.6</td>
<td>8</td>
<td>12</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>11.1</td>
<td>7.6</td>
<td>9.6</td>
<td>13.8</td>
<td>8</td>
<td>11</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Italy</td>
<td>1991</td>
<td>6.5</td>
<td>4.4</td>
<td>6.1</td>
<td>10.5</td>
<td>14</td>
<td>16</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Japan</td>
<td>1992</td>
<td>11.8</td>
<td>18.4</td>
<td>10.2</td>
<td>12.2</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1985</td>
<td>5.4</td>
<td>12.9</td>
<td>4.1</td>
<td>5.2</td>
<td>17</td>
<td>7</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1991</td>
<td>6.7</td>
<td>4.1</td>
<td>6.6</td>
<td>8.3</td>
<td>11</td>
<td>17</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>1991</td>
<td>6.6</td>
<td>13.5</td>
<td>5.4</td>
<td>4.9</td>
<td>13</td>
<td>6</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>10.4</td>
<td>11.4</td>
<td>9.2</td>
<td>12.8</td>
<td>7</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Sweden</td>
<td>1992</td>
<td>6.7</td>
<td>6.4</td>
<td>8.1</td>
<td>3.0</td>
<td>11</td>
<td>13</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1991</td>
<td>14.8</td>
<td>23.9</td>
<td>10.7</td>
<td>18.5</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>United States</td>
<td>1994</td>
<td>19.1</td>
<td>19.8</td>
<td>16.4</td>
<td>24.9</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Overall Average: 9.3 11.7 8.3 10.2

*Poverty is measured at 50% median adjusted disposable personal income (DPI) for individuals.

all nations, followed by the United Kingdom, with Sweden close to the bottom. In both the United States and United Kingdom the elderly and child poverty rates are astonishingly high compared with both the average of all nations, and with Sweden in particular. The elderly poverty rate at 50 percent of the median income in both the United Kingdom and United States lingers around three times that of Sweden. While the rates of child poverty are *eight times* higher in the United States and *six times* higher in the United Kingdom than they are in Sweden. This difference can be partly attributed to a combination of Sweden’s success in reducing child poverty and the failure to do so in both the United States and United Kingdom. However, just as overall poverty may be sensitive to where the line is drawn, poverty within these particular populations could be sensitive to the arbitrariness of where the line is drawn.

Table 1.4 demonstrates the differences in the percent of elderly and children in poverty with different thresholds. The overall picture remains the same but some important differences do emerge.

The first important difference evident from moving the poverty threshold is the change in the position of the United States in terms of elderly poverty. At the 40 and 50 percent thresholds the United States is...
near the top and well above the average for all countries. However, at the 60 percent threshold the United States is behind five other countries, over sixteen percentage points from the top, and is fairly close to the average, within four percentage points. The second important difference is the dramatic discontinuity between the United States and other nations in terms of child poverty. At the 50 percent standard, the gravity of the problem of child poverty was apparent; however, moving the threshold to 40 percent puts this in the proper perspective. Eleven of the seventeen nations in the survey have child poverty rates at 5 percent or lower; Sweden is second from the bottom at 1.6 percent. Across developed countries, roughly only one in twenty children live in poverty at the 40 percent standard; in the United States that figure is close to one in five. As Timothy Smeeding writes, in describing this comparison, “Given the effect of deep child poverty on the developmental outcomes of children, the high United States child poverty rate at the 40 percent line should be a matter of great concern.”

TABLE 1.4: Percentage of Elderly and Children Below 3 Thresholds of Poverty*

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Poverty Level</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Elderly 40%</td>
<td>50%</td>
<td>60%</td>
<td></td>
<td>Children 40%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Australia</td>
<td>1989</td>
<td>5.6</td>
<td>21.6</td>
<td>44.7</td>
<td>9.8</td>
<td>15.4</td>
<td>21.2</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1992</td>
<td>5.5</td>
<td>11.9</td>
<td>23.8</td>
<td>2.0</td>
<td>4.4</td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1991</td>
<td>1.4</td>
<td>5.7</td>
<td>18.5</td>
<td>9.0</td>
<td>15.3</td>
<td>20.9</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>1992</td>
<td>4.1</td>
<td>11.3</td>
<td>35.8</td>
<td>2.5</td>
<td>5.1</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>1991</td>
<td>3.8</td>
<td>14.4</td>
<td>29.8</td>
<td>1.2</td>
<td>2.7</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>1984</td>
<td>1.4</td>
<td>4.8</td>
<td>11.4</td>
<td>4.1</td>
<td>7.4</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1989</td>
<td>4.4</td>
<td>7.5</td>
<td>16.7</td>
<td>6.3</td>
<td>8.6</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>4.7</td>
<td>7.6</td>
<td>17.5</td>
<td>4.7</td>
<td>13.8</td>
<td>25.1</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1991</td>
<td>1.4</td>
<td>4.4</td>
<td>12.5</td>
<td>5.0</td>
<td>10.5</td>
<td>18.9</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1992</td>
<td>11.4</td>
<td>18.4</td>
<td>Na</td>
<td>6.8</td>
<td>12.2</td>
<td>Na</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1985</td>
<td>4.0</td>
<td>12.9</td>
<td>22.8</td>
<td>1.5</td>
<td>5.2</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>1991</td>
<td>3.0</td>
<td>4.1</td>
<td>19.5</td>
<td>5.1</td>
<td>8.3</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>1991</td>
<td>0.2</td>
<td>13.5</td>
<td>29.4</td>
<td>1.9</td>
<td>4.9</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>4.3</td>
<td>11.4</td>
<td>25.1</td>
<td>7.4</td>
<td>12.8</td>
<td>20.6</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>1992</td>
<td>1.5</td>
<td>6.4</td>
<td>19.8</td>
<td>1.6</td>
<td>3.0</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1991</td>
<td>8.2</td>
<td>23.9</td>
<td>43.5</td>
<td>8.6</td>
<td>18.5</td>
<td>26.9</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>1994</td>
<td>11.3</td>
<td>19.6</td>
<td>28.1</td>
<td>17.8</td>
<td>24.9</td>
<td>32.5</td>
<td></td>
</tr>
</tbody>
</table>

Overall Average 4.5 11.7 24.9 5.6 10.2 16.5

* Poverty is measured at 40, 50, and 60 % median adjusted disposable personal income (DPI) for individuals. Elderly - individuals 65 and over. Children - individuals under 18. Averages are not weighted for population differences. Source: Smeeding, T. 1997: 209.

---

11 Smeeding, Timothy M. Financial Poverty in Developed Countries: The Evidence from the Luxembourg Income Study. 1997: 211.
In general, this data demonstrates that overall levels of poverty are sensitive to where the economic distance line is drawn and to variations in the portion of the population being analyzed. In general, high poverty rates at the lowest relative measure (40 percent) are found in the United States for all persons and for all subgroups. Comparisons between children and the aged vary by nation and level of poverty, but with only a few exceptions both groups have rates below 10 percent at a low poverty standard in most countries. At the highest relative measure (60 percent) elderly poverty tends to be higher, but in both populations the averages are at this point are above 15 percent. Of our three countries, child poverty was dramatically more severe in the United States than it was in Sweden or the United Kingdom. However, both the United States and United Kingdom had rates of poverty amongst their elderly populations that was considerably higher than Sweden.

**Comparative Poverty Rates – Differences by Family Composition**

In addition to examining the poverty among the elderly and children, it is important to examine the household characteristics of the poor. Part of the reason for this is that a motivating factor behind the dismantling of the American welfare state was the stereotypical image of the poor as being young, black, single mothers. I will explore this myth more thoroughly in the United States chapter, however I believe that it is also useful to look at the household characteristics in a comparative context.

Table 1.5 breaks down the poor households in each country based on seven categories: single elderly, elderly couple, single with no children, couple with no children, single parents, couple, and others. The poverty measurement used again economic distance of 50 percent of the median income, after taxes and social benefit transfers. An overview of this data reveals that there is not a single description that accurately characterizes poor households. Even among the three countries that are the focus of my study, strong differences emerge. For example, given the previous discussion regarding the low rate of child poverty in Sweden, it is not surprising that over three-fourths of those in poverty are adults without children; and if elderly households are included this figure cover more than 90 percent of the poor. Poverty in the United States and United Kingdom is not as easily characterized as in Sweden.
<table>
<thead>
<tr>
<th>Country</th>
<th>Elderly Single</th>
<th>Elderly Couple</th>
<th>Single no child</th>
<th>Couple no child</th>
<th>Single w/ child</th>
<th>Couple w/ child</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>21.7%</td>
<td>10.0%</td>
<td>26.0%</td>
<td>8.0%</td>
<td>14.1%</td>
<td>17.0%</td>
<td>3.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Belgium</td>
<td>18.0%</td>
<td>18.6%</td>
<td>14.0%</td>
<td>20.2%</td>
<td>4.3%</td>
<td>20.5%</td>
<td>4.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Canada</td>
<td>3.0%</td>
<td>2.4%</td>
<td>41.5%</td>
<td>10.8%</td>
<td>14.1%</td>
<td>20.1%</td>
<td>6.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Denmark</td>
<td>16.2%</td>
<td>3.0%</td>
<td>61.7%</td>
<td>6.9%</td>
<td>3.5%</td>
<td>7.4%</td>
<td>1.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Finland</td>
<td>29.6%</td>
<td>2.1%</td>
<td>46.9%</td>
<td>8.2%</td>
<td>2.5%</td>
<td>7.6%</td>
<td>3.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Germany</td>
<td>21.0%</td>
<td>8.1%</td>
<td>25.7%</td>
<td>22.4%</td>
<td>4.3%</td>
<td>14.5%</td>
<td>3.9%</td>
<td>100%</td>
</tr>
<tr>
<td>Italy</td>
<td>9.0%</td>
<td>5.8%</td>
<td>5.0%</td>
<td>16.2%</td>
<td>9.1%</td>
<td>23.3%</td>
<td>1.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.9%</td>
<td>7.7%</td>
<td>37.2%</td>
<td>16.2%</td>
<td>9.1%</td>
<td>23.3%</td>
<td>1.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Norway</td>
<td>30.2%</td>
<td>2.0%</td>
<td>50.7%</td>
<td>1.1%</td>
<td>9.6%</td>
<td>5.8%</td>
<td>0.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Spain</td>
<td>6.5%</td>
<td>19.7%</td>
<td>5.3%</td>
<td>15.9%</td>
<td>1.7%</td>
<td>40.1%</td>
<td>10.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Sweden</td>
<td>16.1%</td>
<td>0.8%</td>
<td>72.6%</td>
<td>3.4%</td>
<td>1.4%</td>
<td>5.8%</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>U.K.</td>
<td>26.7%</td>
<td>14.7%</td>
<td>14.1%</td>
<td>9.8%</td>
<td>10.4%</td>
<td>18.9%</td>
<td>5.4%</td>
<td>100%</td>
</tr>
<tr>
<td>U.S.</td>
<td>16.6%</td>
<td>6.9%</td>
<td>23.0%</td>
<td>7.7%</td>
<td>12.5%</td>
<td>20.9%</td>
<td>12.4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average 17.0% 7.8% 32.6% 12.1% 6.8% 18.8% 4.9%

* The definition of poverty for this data is the standard economic distance poverty of equivalent income less than 50% of the median after social benefits and taxes. Source: Jonathan Bradshaw and Jun-Rong Chen. Table 5 in “Poverty in the United Kingdom: A Comparison with Nineteen Other Countries” University of York. Social Policy Research Unit. LIS Working Papers.

Nonetheless if we couple the elderly and with child categories together, the resulting totals are consistent with the previous findings concerning child and elderly poverty. For the United Kingdom, the elderly households account for 41.4 percent of all households in poverty, in the United States they account for 23.4 percent. Households with children account for close to a third of the poor households in the United States (33.4 percent) and United Kingdom (29.3), compared with only 7.2 percent in Sweden, the lowest of any nation in the study.

It could be argued that these figures are misleading because they characterize poor households based on their income after taxes and social benefits. The more accurate measure, some would argue, is the percent of those in poverty, without any assistance. Thus, it is important to look at the effects of social assistance programs, not only for the purposes of characterizing the poor, but also to measure their effectiveness in reducing economic poverty.

**The Effectiveness of Taxes and Transfers in Reducing Poverty**

As I laid out in the introduction, it is my contention that income poverty is a problem that all countries seek to reduce through a variety of tax and transfer policies. Any suggestion for improving one
set of tax and transfer policies based on another model must therefore be supported by evidence that the other model has proven to be superior in meeting the objective of reducing poverty. Having already explored the general state of low-income persons in Sweden, the United Kingdom, and the United States, I will turn my attention to examining the role of social assistance programs in reducing poverty in each of these countries.

The simplest way to examine the effectiveness of social assistance programs in reducing poverty is to compare the percentage of households in poverty prior to taxes and transfers with the percentage in poverty after social assistance benefits are factored in, and then calculate the rate of reduction. Tables 1.6a, 1.6b, and 1.6c provide the data for such comparisons.

Table 1.6a compares the likelihood of being poor based on household grouping before taxes and transfers. In every country in the survey, the elderly have the highest risk of poverty before transfers. This is not too surprising considering the fact that in many countries the elderly rely on generous state pensions as their main income support. In those countries where private pensions are more common, such as the United States, Canada, and the United Kingdom, elderly poverty tends to be lower because private and occupational pensions are included as income. Turning to other categories, the three countries have relatively the similar pre-benefit poverty rates in all categories except for one – single parents. Here Sweden’s percent is close to half of both the United Kingdom and the United States.

Table 1.6b shows the percentage of each household category that remains in poverty after taxes and transfers. Not surprisingly those states that had low poverty levels in the general data presented in Tables 1.1 and 1.3 also had low poverty levels following taxes and transfers, and likewise, states with high levels of poverty in previous data sets also had high levels after the taxes. One important area to take note of is the inability of social assistance programs to reduce single parent poverty in countries such as the United States, the United Kingdom, Canada and Australia. In these countries poverty among lone

---

12 One of the shortcomings that I acknowledge with regard to Tables 1.5a, and 1.5b is their sensitivity to the arbitrariness of the 50% standard. However, my concern here is not so much with the actual percentages in these tables, as it is with the effectiveness of social assistance programs in providing sufficient income to move beyond a
### TABLE 1.6a: Percentage of Households In Poverty* Before Taxes and Transfers

<table>
<thead>
<tr>
<th>Country</th>
<th>Elderly Single</th>
<th>Elderly Couple</th>
<th>Single no child</th>
<th>Couple no child</th>
<th>Single w/ child</th>
<th>Couple w/ child</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>85.7%</td>
<td>70.3%</td>
<td>31.0%</td>
<td>13.8%</td>
<td>69.9%</td>
<td>16.4%</td>
<td>35.2%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Belgium</td>
<td>99.6%</td>
<td>88.4%</td>
<td>35.5%</td>
<td>24.9%</td>
<td>36.0%</td>
<td>12.2%</td>
<td>42.6%</td>
<td>38.3%</td>
</tr>
<tr>
<td>Canada</td>
<td>75.4%</td>
<td>57.6%</td>
<td>35.3%</td>
<td>13.2%</td>
<td>63.4%</td>
<td>17.3%</td>
<td>33.9%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Denmark</td>
<td>78.0%</td>
<td>62.7%</td>
<td>42.4%</td>
<td>13.0%</td>
<td>43.3%</td>
<td>11.0%</td>
<td>23.4%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Finland</td>
<td>59.5%</td>
<td>38.4%</td>
<td>30.1%</td>
<td>8.7%</td>
<td>30.6%</td>
<td>11.9%</td>
<td>24.5%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Germany</td>
<td>74.8%</td>
<td>68.8%</td>
<td>22.1%</td>
<td>13.2%</td>
<td>40.3%</td>
<td>11.6%</td>
<td>32.9%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Italy</td>
<td>80.2%</td>
<td>53.3%</td>
<td>25.6%</td>
<td>15.9%</td>
<td>4.9%</td>
<td>10.5%</td>
<td>26.8%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>74.2%</td>
<td>65.8%</td>
<td>41.9%</td>
<td>15.5%</td>
<td>72.7%</td>
<td>10.4%</td>
<td>28.8%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Norway</td>
<td>81.4%</td>
<td>57.8%</td>
<td>29.4%</td>
<td>6.2%</td>
<td>50.2%</td>
<td>4.9%</td>
<td>21.8%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Spain</td>
<td>91.4%</td>
<td>74.4%</td>
<td>42.7%</td>
<td>22.9%</td>
<td>30.3%</td>
<td>12.5%</td>
<td>39.4%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>95.9%</td>
<td>81.1%</td>
<td>37.9%</td>
<td>10.6%</td>
<td>32.0%</td>
<td>10.4%</td>
<td>0.0%</td>
<td>41.4%</td>
</tr>
<tr>
<td>UK</td>
<td>83.9%</td>
<td>68.2%</td>
<td>36.2%</td>
<td>13.2%</td>
<td>78.6%</td>
<td>19.9%</td>
<td>35.8%</td>
<td>38.1%</td>
</tr>
<tr>
<td>US</td>
<td>77.2%</td>
<td>56.1%</td>
<td>29.8%</td>
<td>12.4%</td>
<td>60.9%</td>
<td>20.6%</td>
<td>46.0%</td>
<td>34.1%</td>
</tr>
</tbody>
</table>

| Average     | 81.3%          | 64.8%          | 33.8%          | 14.1%          | 47.2%          | 13.0%          | 30.1% | 33.6% |

### TABLE 1.6b: Percentage of Households In Poverty* After Taxes and Transfers

<table>
<thead>
<tr>
<th>Country</th>
<th>Elderly Single</th>
<th>Elderly Couple</th>
<th>Single no child</th>
<th>Couple no child</th>
<th>Single w/ child</th>
<th>Couple w/ child</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>50.2%</td>
<td>22.2%</td>
<td>24.8%</td>
<td>7.2%</td>
<td>57.1%</td>
<td>10.9%</td>
<td>13.2%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Belgium</td>
<td>12.4%</td>
<td>11.4%</td>
<td>9.2%</td>
<td>5.1%</td>
<td>9.4%</td>
<td>4.7%</td>
<td>6.2%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Canada</td>
<td>8.9%</td>
<td>4.4%</td>
<td>27.1%</td>
<td>7.5%</td>
<td>48.6%</td>
<td>10.8%</td>
<td>15.2%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Denmark</td>
<td>8.8%</td>
<td>2.8%</td>
<td>17.7%</td>
<td>2.7%</td>
<td>6.5%</td>
<td>3.1%</td>
<td>4.7%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Finland</td>
<td>23.1%</td>
<td>3.0%</td>
<td>18.5%</td>
<td>3.6%</td>
<td>6.3%</td>
<td>2.8%</td>
<td>5.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Germany</td>
<td>21.7%</td>
<td>12.9%</td>
<td>21.7%</td>
<td>16.3%</td>
<td>34.2%</td>
<td>12.1%</td>
<td>16.9%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Italy</td>
<td>9.0%</td>
<td>4.1%</td>
<td>7.4%</td>
<td>7.8%</td>
<td>4.9%</td>
<td>14.6%</td>
<td>11.5%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.8%</td>
<td>7.6%</td>
<td>18.1%</td>
<td>5.6%</td>
<td>27.4%</td>
<td>8.0%</td>
<td>5.4%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Norway</td>
<td>16.5%</td>
<td>1.5%</td>
<td>15.3%</td>
<td>0.6%</td>
<td>12.9%</td>
<td>2.1%</td>
<td>1.3%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Spain</td>
<td>16.3%</td>
<td>20.8%</td>
<td>23.5%</td>
<td>12.2%</td>
<td>27.7%</td>
<td>15.0%</td>
<td>17.1%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Sweden</td>
<td>9.6%</td>
<td>0.7%</td>
<td>18.3%</td>
<td>2.0%</td>
<td>2.6%</td>
<td>2.9%</td>
<td>0.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>UK</td>
<td>46.5%</td>
<td>30.4%</td>
<td>23.5%</td>
<td>8.9%</td>
<td>51.8%</td>
<td>17.5%</td>
<td>17.8%</td>
<td>23.0%</td>
</tr>
<tr>
<td>US</td>
<td>40.5%</td>
<td>17.0%</td>
<td>26.2%</td>
<td>9.2%</td>
<td>53.9%</td>
<td>18.4%</td>
<td>33.8%</td>
<td>23.5%</td>
</tr>
</tbody>
</table>

Average 20.6% 10.7% 19.3% 6.8% 26.4% 9.5% 11.4% 13.5%

* The definition of poverty for this data is the standard economic distance poverty of equivalent income less than 50% of the median after social benefits and taxes. Source: Jonathan Bradshaw and Jun-Rong Chen. Tables 2 and 3 in "Poverty in the United Kingdom: A Comparison with Nineteen Other Countries" University of York. Social Policy Research Unit. LIS Working Papers.

certain standard, however arbitrary that may be. Given the earlier discussion concerning how the relative positions remain by and large the same regardless of the standard, I believe this measure is sufficient for my purposes.
parents was high to before taxes and transfers, and remained so afterwards. The ability of taxes and transfers to effectively reduce poverty is best demonstrated in Table 1.6c and Figure 1.3.

Both Table 1.6c and Figure 1.3 demonstrate the effectiveness of social transfers and tax policies in reducing poverty. Looking back to Tables 1.1 and 1.3, nations with the lowest poverty rates—Belgium, Sweden, Norway, Finland, and Italy, and the Netherlands—also had the percentages of poverty reduction through transfers and taxes. Among these six countries the average decline in overall poverty from social assistance was 72 percent. This is compared to an average rate of reduction of 42 percent among the nations with the highest poverty rates—the United States, the United Kingdom, and Australia, and Canada. Examining these three countries in particular, clarifies the utility of the Swedish model.

In terms of the portions of their population in below the poverty threshold, Sweden, the United Kingdom, and the United States were at roughly the same starting point prior to social transfers and taxes (Table 1.6a). After social assistance benefits were included Sweden’s poverty rate dropped to 9.1 overall, and in four family types was less than 3 percent. The United Kingdom and the United States, on the other hand, had overall poverty rates at roughly 23 percent, with each having 3 family types with above 30

### TABLE 1.6c: Percentage Reduction in Poverty through Transfers and Taxes by Household

<table>
<thead>
<tr>
<th>Country</th>
<th>Elderly Single</th>
<th>Elderly Couple</th>
<th>Single no child</th>
<th>Couple no child</th>
<th>Single w/ child</th>
<th>Couple w/ child</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>41.4%</td>
<td>68.4%</td>
<td>20.0%</td>
<td>47.8%</td>
<td>18.3%</td>
<td>33.5%</td>
<td>62.5%</td>
<td>40.3%</td>
</tr>
<tr>
<td>Belgium</td>
<td>87.6%</td>
<td>87.1%</td>
<td>74.1%</td>
<td>79.5%</td>
<td>73.9%</td>
<td>61.5%</td>
<td>85.4%</td>
<td>81.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>88.2%</td>
<td>92.4%</td>
<td>23.2%</td>
<td>43.2%</td>
<td>23.3%</td>
<td>37.6%</td>
<td>55.2%</td>
<td>52.7%</td>
</tr>
<tr>
<td>Denmark</td>
<td>88.7%</td>
<td>95.5%</td>
<td>58.3%</td>
<td>79.2%</td>
<td>85.0%</td>
<td>71.8%</td>
<td>79.9%</td>
<td>77.8%</td>
</tr>
<tr>
<td>Finland</td>
<td>61.2%</td>
<td>92.2%</td>
<td>38.5%</td>
<td>58.6%</td>
<td>79.4%</td>
<td>76.5%</td>
<td>78.9%</td>
<td>61.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>71.0%</td>
<td>81.3%</td>
<td>1.8%</td>
<td>-23.5%</td>
<td>15.1%</td>
<td>-4.3%</td>
<td>4.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Italy</td>
<td>88.8%</td>
<td>92.3%</td>
<td>71.1%</td>
<td>50.9%</td>
<td>0.0%</td>
<td>-39.0%</td>
<td>56.7%</td>
<td>64.7%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>94.9%</td>
<td>88.4%</td>
<td>56.8%</td>
<td>63.9%</td>
<td>62.3%</td>
<td>23.1%</td>
<td>81.3%</td>
<td>71.8%</td>
</tr>
<tr>
<td>Norway</td>
<td>79.7%</td>
<td>97.4%</td>
<td>48.0%</td>
<td>90.3%</td>
<td>74.3%</td>
<td>57.1%</td>
<td>94.0%</td>
<td>74.7%</td>
</tr>
<tr>
<td>Spain</td>
<td>82.2%</td>
<td>72.0%</td>
<td>45.0%</td>
<td>46.7%</td>
<td>8.6%</td>
<td>-20.0%</td>
<td>56.6%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>90.0%</td>
<td>99.1%</td>
<td>51.7%</td>
<td>81.1%</td>
<td>91.9%</td>
<td>72.1%</td>
<td>0.0%</td>
<td>78.0%</td>
</tr>
<tr>
<td>U. K.</td>
<td>44.6%</td>
<td>53.4%</td>
<td>35.1%</td>
<td>32.6%</td>
<td>34.1%</td>
<td>12.1%</td>
<td>50.3%</td>
<td>39.6%</td>
</tr>
<tr>
<td>U. S.</td>
<td>47.5%</td>
<td>69.7%</td>
<td>12.1%</td>
<td>25.8%</td>
<td>11.5%</td>
<td>10.7%</td>
<td>26.5%</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

Average 74.3% 83.9% 41.2% 52.0% 44.4% 30.2% 64.6% 59.3%

* The definition of poverty for this data is the standard economic distance poverty of equivalent income less than 50% of the median after social benefits and taxes. Source: Jonathan Bradshaw and Jun-Rong Chen. Tables 4 in “Poverty in the United Kingdom: A Comparison with Nineteen Other Countries” University of York. Social Policy Research Unit. LIS Working Papers.
FIGURE 1.3: Poverty Reduction Through Taxes and Transfers by Household Type

percent (Table 1.6b). The difference was that in Sweden taxes and transfers reduced poverty by almost 80 percent (and in three categories reduced poverty by over 90 percent), while in the United Kingdom and the United States, these programs only reduced poverty by 39 and 31 percent respectively (Table 1.6c). Figure 1.3 visually illustrates the superiority of the Swedish model over the United States and the United Kingdom. Of particular importance are the dramatic differences in the rate of reduction of single parents in poverty.

Sweden, although starting with fewer single parents in poverty, reduced single parent poverty by 91.9 percent, leaving only 2.9 percent of all single parent families in Sweden below 50 percent of the median income. The reductions for single parent families in the United Kingdom were less significant. Only a little over one-third of all single parent families that were poor prior to social benefits were not poor after, leaving over half of all single parent families below the poverty threshold. The performance of social programs in the United States is even less impressive. Only 11.5 percent of all single parent families who were in poverty prior to transfers and taxes were above 50 percent of the median following
the interjection of social assistance programs. The result was that 53.9 percent of single parent families remained below the international poverty threshold, the second highest of any industrial nation behind Australia. In short, the dramatic differences in the poverty rates of Sweden, the United Kingdom, and United States are by in large part to the differing social assistance and benefits policies of the three countries, particularly with regard to single parents and children.

Undoubtedly, some British and American policymakers would argue that their countries could have similar poverty rates if they were to simply tax their populations at a higher rate and increase their income transfers. If that’s the case, why don’t policymakers in these countries do such a thing? The reason this approach has not been taken is outlined in the Economic Report of the President from 1964. In announcing the aims of the War on Poverty, the Johnson administration stated:

The majority of the Nation could simply tax themselves enough to provide the necessary income supplements to their less fortunate citizens. ... But this “solution” would leave untouched most of the roots of poverty. Americans want to earn the American standard of living by their own efforts and contributions. It will be far better, even if more difficult, to equip and permit the poor of the Nation to produce and earn the additional [income needed to raise them out of poverty].

This accurately characterizes the typical response to suggestions of improving social assistance programs. The argument against providing more assistance is that the consequences of such action would be massive disincentives to work and thus dramatic increases in unemployment. Is this in fact what has happened in Sweden?

**Unemployment in Sweden, the United Kingdom, and the United States**

A review of the data regarding unemployment in the three countries is somewhat mixed. As Figures 1.4 demonstrates, the Swedish model for a long period of time was able to avoid the trade-off between poverty and unemployment, and keep both relatively low until the early 1990s. Since that time, unemployment has been rising to levels previously not seen in Sweden. During that same period of time, the United States has seen astonishing success in reducing unemployment to levels previously unknown.


\[14\] The success of the United States is not fully represented on this chart because of the year at which it ends. In an effort to keep comparisons simpler, I have relied on the OECD figures for standardized unemployment rates.
Figure 1.4: Standardized Unemployment Rates for the three countries since 1967

Source: OECD Historical Statistics.

The United Kingdom, on the other hand, has been marked by higher unemployment, compared with the other two countries, since the early 1980s. Since 1981, average yearly unemployment in the United Kingdom has been roughly 10 percent. During that same period of time, unemployment has been roughly 4 percent in Sweden and 7 percent in the United States.

The data in Figure 1.4 coupled with the data regarding poverty over time displayed in Figure 1.2 present no conclusive answer to the argument that reducing poverty increases unemployment. The Swedish case, up until approximately 1992 would seem to dispel such an argument, but the recent economic troubles and increases in unemployment weaken this conclusion. The results from the United Kingdom are mixed, however recent evidence indicates increases in both relative poverty and unemployment, an undesirable situation for any policymaker. In the United States, unemployment has been kept relatively low while poverty has been among the highest of all industrialized nations. Part of the explanation for this, as I will later argue, is that United States policymakers have made a conscious

Unfortunately, the rates for 1997 and 1998 are not available. However, the United States only figures for these
decision to accept a higher level of poverty in exchange for lower levels of unemployment. This is not to say that policymakers were unconcerned with the income of employed workers. From Nixon’s proposal to provide a negative income tax to Reagan’s endorsement of the Earned Income Tax Credit and the Clinton administration’s push to increase the statutory minimum wage, there have been numerous legislative initiatives aimed at improving the take home pay of workers. However, it is my contention that since the inception of the American welfare state to the present, the policy priorities have shifted. Initially, the fundamental principle for policymakers was the assurance to all of a guaranteed minimum standard of living. Today the premise of American policymakers is that all Americans should work, and through work they will earn the necessary standard of living. As Chapter 4 points out, this was a result of numerous factors including the changing demographics of the population on public assistance and the work expectations of these beneficiaries. As further chapters point out, I question the desirability of such policies based on this principle as well as the assumption behind the idea that there is necessarily a tradeoff.

CONCLUSION

By reviewing the status of the poor in a cross-national comparison the differences between the Swedish, British, and American models of social assistance and anti-poverty policy become clearer. To measure and analyze poverty in a comparative perspective I use the “economic distance” approach. This approach judges incomes as low by calculating the economic material resources available to households relative to level of needs and economic well-being of the entire population. The poverty threshold is then defined as 50 percent of the median equivalent disposable income of all the persons. The results of this approach finds the United States with the highest relative poverty rates, followed by the United Kingdom, and then Sweden. These positions generally remain the same over time and for different categories of the population, or if an absolute measure based on the United States poverty lines is used. One important finding from the data is the alarmingly high and extremely deep level of child poverty in the United States.

years will be discussed later.
One reason for the diverging poverty rates among the three countries is the effect that social assistance programs have in reducing poverty. In Sweden, roughly three-fourths of the population that is poor prior to taxes and benefits is not poor following this assistance. Unfortunately the success rates in the United Kingdom and United States are not as high, reducing poverty by roughly one third. This is particularly apparent in the area of single parents. In Sweden, social assistance programs reduce single parent poverty by over 90 percent; in the United Kingdom and United States the reduction is only 34 and 12 percent respectively.

Finally, although many have argued that the European nations, in general, have been able to reduce poverty more significantly in exchange for higher levels of unemployment, this generalization does not hold as tightly for the three countries profiled here. For years, Sweden was able to maintain both low poverty and low unemployment, while the United Kingdom had higher levels of both. The tradeoff between poverty and unemployment simply did not materialize in Sweden or the United Kingdom. But, recent changes is Sweden and the United States may mean that this argument should be revisited in the coming years.

With an understanding of how the Sweden, the United Kingdom, and United States stand in relation to one another, I now turn my attention to the facts behind the figures in each of these countries. Although the following three chapters are focused more on the specific countries, I will draw comparisons between the other countries when possible. It is important to be mindful of the similarities and differences between the three countries, particularly because of these characteristics may prevent the some policies from being transported from one country to another. To understand the extent of the similarities and differences between the three countries, we must examine the particular characteristics of each state.
CHAPTER 2:

SWEDEN
Among those states that have embraced the free market as their primary mechanism for the distribution of goods and services, Sweden has achieved the most generous and egalitarian welfare state. For most of the past century, Sweden has achieved healthy economic growth, "full" employment, and one of the highest standards of living in the world. This success has not come without its critics. Critics on the right charge that this success has been achieved through authoritarian states policies that sacrifice individual, family, and entrepreneurial freedoms. Whereas, detractors from the left, mainly Marxists and feminists, argue that the Swedish welfare state has only modestly reduced the inequalities exploited by capital and patriarchy. They note the limited success of the welfare state in challenging the enduring structures of class and male dominance in modern Sweden. Despite these criticisms, Sweden was commonly referred to as a model for other developed countries to follow. Since the beginning two goals have been central to the Swedish model – full employment and economic equality. According to Social Democratic economist Rudolf Meidner, "The model's central goals reflect the traditional priorities of the Swedish labour movement, which has dominated the development of the Swedish welfare state. Full employment and equality are the goals that determine the rest of the model, both of them deeply rooted in the history of the labour movement."

Since the 1980s however, the Swedish model has faced economic and political challenges from inside and out. In fact, rising unemployment and the electoral defeat of the Social Democrats in 1991 had many commentators proclaiming the end of the Swedish model. Yet recent reductions in unemployment and two consecutive electoral victories by the Social Democrats have put the Swedish welfare state is in a position similar to that of Mark Twain; rumors of its demise have been greatly exaggerated. In this chapter I will explore how Sweden has attempted to achieve the goals of full employment and equality through income support programs and an active labor market policy. First, I will broadly describe the economic, social and political aspects of the Swedish model. Following this overview I will go in to more detailed descriptions of the social assistance and labor market programs. I conclude by addressing

---

the current problems of Sweden and the possibilities of modeling it elsewhere. It is my contention that the Swedish model, though not perfect and still in need of some repair, can provide guidance to American and British policymakers. In particular I argue that although some of the major instruments of the Swedish welfare state have been reduced or eliminated, the commitment to full employment and egalitarian economic policies are examples that the United States and the United Kingdom should work to emulate.

The Swedish Model – An Emphasis on Compromise

Since the 1930s, four distinct features have characterized the Swedish welfare state. These include: (1) electoral dominance by the Social Democratic Party (SAP) through consensus-based politics that build support in cross-class coalitions; (2) peace between labor and capital through negotiated agreements and centralized wage bargaining on a national level; (3) an ambitious welfare-state arrangements supported by large public-sector spending and high taxes; and (4) an active labor market policy designed to promote full employment.² During the course of this chapter I will discuss each of these four features, but I begin with the first two features and their role in the evolution of the welfare state through compromise.

Social and Political Compromises

The first distinct feature of the Swedish model is that for almost a century now Swedish politics has been dominated by two features that at first glance seem incompatible – a virtual monopoly on political power by one party, but also a high degree of consensus-based politics. With the ascent of the Social Democrats as the standard bearer of the left, Swedish governments came to be synonymous with a moderate form of social democracy commonly referred to as the “middle way” or “third way” – a compromise-based, middle way between the extremes of free-market capitalism and state socialism.³

³ Childs, Marquis W. Sweden: The Middle Way. New rev. and enl. ed. New Haven, Yale Univ. Press, 1947. It’s interesting to note that this same moniker has been adopted by the contemporary leaders of the other two countries
From 1932 onwards, the SAP were in government, either alone or as dominant partners in coalition for the entire period up to 1991 with the exception of 6 years between 1976 and 1982 and then again for roughly three years from 1991 to 1994. Indeed, the dominance of the Social Democratic Party since 1932 has led Tomasson to remark that “probably no democratic party anywhere has been able to maintain for such along period the overall legislative and popular support enjoyed by the Swedish Social Democrats.”

This unparalleled degree of electoral hegemony has been crucial in the development of the Swedish welfare state. However, it would not have been possible had it not been for a class and political structure conducive to compromise.

According to Blau, “Sweden’s unique class structure played a significant role in the development of its welfare state.” In order for the Social Democrats to succeed in expanding the welfare state, they needed to either expand the working class in order to form a majority or find a partner who shared their social democratic ideology. Although as Scase points out the SAP was successful in garnering tremendous support for the working class, this segment of the population alone was not enough.

In order for the welfare state to take hold the SAP needed to reach beyond the working class. In the wake of recent industrialization, the SAP found such an ally in the agrarian class organized around the capital-intensive rural economy. “Neither rich, powerful, and independent, not a mass of rural workers engaged in a bitter competition for jobs, this agrarian class was more willing to ally with social democratic forces than in any other major welfare state.” However, class structure alone was not the only reason the SAP was able to expand the welfare state; the political structures of Sweden also were vital to the SAP’s electoral domination.

in this study, Tony Blair of the UK and Bill Clinton of the US, to describe a form of politics that eschews the traditional ideological divisions of the right and left in favor of more centrist politics.

8 It must also be pointed out that within the working class there was also the need for compromise between the white-collar and blue-collar workers.
Unlike federal systems such as the United States, which marginalize the extremes and channel most political sentiments into two broad parties, the parliamentary form encourages the growth of many parties, which are then forced to make alliance in order to secure a governing majority. Since 1971, Sweden has had a unicameral Parliament, known as the Riksdag. The 349 members of Parliament are elected based on a system of proportional representation and serve four-year terms. In keeping with the overall egalitarian philosophy that characterizes Swedish politics, the electoral system is designed to secure a distribution of seats between the parties in proportion to the votes cast for them nationally, not within electoral district. Hence, in addition to 310 fixed electoral district seats, 39 seats are distributed “at large” so as to obtain a nationally proportional result. However, candidates from the parties’ regular electoral rolls also fill the at-large seats.

There is one exception to the rule on complete national proportionality. Similar to the German system, a minimum of 4 percent nationally is required for a party to factor into the distribution of seats. This quota rule is intended to prevent very small parties from gaining a disproportionate amount of representation in the Rikstag. In any one electoral district, however, a party will be allocated a number of the fixed seats by obtaining 12% of the votes, even if its national popular vote falls short of 4%. The structure of government in Sweden has been critical to the development and recent renewal of the Swedish welfare state by creating a mechanism for alternative and minor parties to play a role in the formation of government.

The combination of a class structure without a true working-class majority and a parliamentary system that gave a voice to the opinions of every party allowed for the formation of broad coalitions in support of the welfare state. However, because no one party had total control over the political system, even the SAP was and is dependent on other parties, the system also demanded a great deal of compromise and decision-making based on consensus, not conflict. Thus, a primary influence in the evolution of the Swedish welfare state were the class and political structures conducive to compromise.
Economic and Industrial Compromises

The notion of consensus and compromise is not limited to the political and class structures of Sweden but extends into the economic arena as well. Since the 1930s, peace between labor and capital through two important compromises – the Saltsjobaden agreement and the solidaristic wage policy – have according to Wilks “critically underpinned” the development of the welfare state. The Saltsjobaden Agreement was a compromise between the Swedish Confederation of Trade Unions (LO) and the Swedish Employers’ Confederation (SAF) reached in 1938. Facing the threat of new restrictive legislation to deal with escalating levels of industrial conflict at a time of political uncertainty, both capital and labor favored a bipartite agreement that would prevent interference from the state. In exchange for the establishment of new regulations and procedures for settling disputes and greater employment security – largely an extension of union rights previously achieved through the 1906 LO-SAF December Compromise - LO agreed to accept the employers’ right to "hire and fire and direct and distribute work." This was palatable to labor leaders concerned that union loyalty might be undermined by existing proposals that called for increased "worker participation" in decision making in workplace issues. The agreement also required a "peace obligation" that prohibited strikes during the term of a collective agreement, although unions were not constrained from striking over issues not covered in the agreement. The long-term effects of this compromise cannot be overstated. The compromise set the confines within which labor negotiations for the next 40 years and by serving a symbol of the potential for cooperation between capital and labor that became “one of the most important components of the Swedish model.”

As John Stephens has noted, “The cooperative arrangement paved the way for labor peace and later for

---

the centralization of collective bargaining at the national level."^{11} I turn now to that centralized collective bargaining arrangement.

The second compromise in the economic realm that was vital to the development of the Swedish welfare state was the centralized wage bargaining and the implementation of the solidaristic wage policy (SWP). Adopted in 1956 by the trade unions in their national, centralized bargaining with the employers, the SWP established "equal pay for equal work" regardless of the profitability of a firm or an industry. The philosophy behind the policy is that wage differentials motivated by differences in profits between regions, industries or firms should be removed. The results of the policy have been twofold: first, inefficient firms, propped up by low wages, were driven out of business; and second, efficient and profitable firms were not burdened with wages pushed up by overly aggressive trade unionism. Expansion in the most dynamic sectors of the economy and the introduction of a variety of active labor market policies served to offset the job loss resulting from the collapse of firms unable to pay solidaristic wages and kept unemployment levels very low by international standards. As I will discuss later, active labor market policies were implemented to handle the unemployed workers that were an inevitable consequence of the SWP. Thus, by not supporting inefficient firms and consequently the workers in them, the SWP, as Norman Ginsburg points out, "has played a central role in employment policy" in Sweden.^{12}

By the mid-1960s, a more egalitarian form of the SWP involving a general wage leveling across sectors and occupations began to displace LO's earlier compromise position based on "equal pay for equal work." Throughout the 1960s and 1970s, the SWP functioned as an "extra-governmental" alternative to the divisive income policies common in other capitalist nations, dramatically decreasing the wage dispersion among blue-collar and private-sector white-collar workers. Between 1965 and 1975, wage dispersion declined by 74 percent among blue-collar workers and by 40 percent among private-sector

---


white-collar workers. Between 1970 and 1982, wages were further compressed by 55 percent among blue-collar workers.\textsuperscript{13}

Centralized bargaining was a crucial to the Swedish model from 1956 until 1983, when it began to break down. The first cracks occurred when the Association of Engineering Employers (VF) lured the Swedish Metalworker's Union (Metall) into a separate agreement with the promise of higher wage settlement. Centralized bargaining then regressed to industry-level negotiations. By 1990 SAF had closed down its bargaining department and in 1991 it ended its participation on various tripartite boards and agencies and stopped collecting the wage statistics necessary to implement the solidaristic wage policy. As Olsen points out, "The result has been a widening of wage differentials among blue-collar workers after two decades of decline."\textsuperscript{14}

While both the Saltsjobaden agreement and SWP have disappeared, it is important to acknowledge their role in shaping the Swedish model. By providing a framework for compromise between labor and capital, Sweden was able to avoid interference by the state in economic policy, unlike the UK and US. This compromise was not achieved solely for economic reasons, the political and class structures of Sweden were vitally important. Changes to these features of the Swedish model are the basis for many declarations of the death of the Swedish model. However, such a view overlooks two other important features of the Swedish model -- (i) social assistance programs designed to provide a high standard of living and economic equality for all, and (ii) the goal of achieving full employment through active labor market policy. I turn now to examining these two features.

Social Assistance Programs

Social Security

People who are unable to support themselves are eligible for social security benefit. The costs of social security benefit have doubled in the past four years. This is partly due to increased unemployment,

\textsuperscript{13} Olsen, Gregg M. "The Twilight of the Swedish Model?" \textit{Canadian Dimension}. V 28 N 6, December 1994 - January 1995: 40
but is also a result of a growing number of immigrants, mainly refugees, receiving support grants until they are integrated into the labor market. The National Board of Health and Welfare sets guideline norms for the social security benefit on the basis of a reasonable standard of living. The monthly norm is SEK 3,050 (US $396.50) for single people and SEK 5,070 (US $659) for cohabiting couples without children. The benefit level for families with children varies with the age and needs of the children. Single parents with a one-year-old child, for instance, receive SEK 4,570 (US $594), while cohabiting couples with a child of the same age receive SEK 6,670 (US $867). Single parents with two small children, say one and five years old, receive SEK 6,080 (US $790) and cohabiting couples with two children of the same age receive SEK 8,150 (US $1,059.50). Social security benefit is intended to cover day-to-day expenses, excluding costs for medical and dental care, furniture and accommodation. Any income received from employment or from an unemployment benefit fund, a pension, etc., will reduce the benefit by a corresponding amount.

Unemployment Benefits

People who become unemployed are eligible for unemployment benefit (UIB) if they have been registered with an unemployment benefit society for at least twelve months and have been in work for at least six months. Benefit is paid from the sixth day of unemployment at a level of 80% of previous income. The highest daily payment, however, is SEK 580 (US $75.40) for five working days a week for not more than 300 days. Those aged 57 and over are entitled to benefit for a period of 450 days. Unemployed people are obliged to put themselves at the disposal of the labor market and accept offers of suitable work or labor market training.

Individuals not registered with an unemployment benefit society are covered by basic insurance. It is paid by the state and amounts to SEK 240 (US $31.20) per day for not more than 150 days. Young people who have left school and remain without employment after three months are also eligible for this

---

payment. To receive cash labor market assistance it is necessary to have been employed for at least six of the preceding twelve months and to be willing to accept an offer of work or labor market training.

The UIB is a clear exception to the universality and direct public sector provision that generally characterize the Swedish welfare state. Financed by government, trade union and employer contributions, the UIB is administered by voluntary societies under union control. Because of their dominant position in the workplace, union membership, and consequently the UIB, cover over 80 percent of the population. Increased government subsidy of the societices led to changes eligibility rules, uniformity in UIB society provisions, and a mandate for membership in a society for all union members. Although UIB is both taxable and earnings-related, only Luxembourg and Denmark surpass Sweden in its generosity of unemployment insurance. For UIB recipients, disposable income for UIB recipients is reduced by between 12 and 29 percent by unemployment.15

As noted earlier, the UIB is an exception to the highly centralized public sector welfare system that characterizes the Swedish welfare state. There are, however, several reasons why the UIB remains under voluntary administration by the unions. First, there is not significant pressure for government takeover considering the generally low levels of unemployment combined with the high levels of union membership. Second, the UIB societies have been an important means of recruiting and keeping union members. For the unions the advantage of the voluntary system is that since members are served by their peers a sense of solidarity is instilled within the membership, particularly with the recipients who are likely to perceive themselves as ongoing members of their respective union. In a country with no tradition of a closed shop, the unions continue to defend the system because service to members is essential for the maintenance of union support and identification

Measures to Provide for Children

Families with children under the age of 16 receive child allowance of SEK 750 (US $ 97.50) per child per month. The allowance is not taxable. A large family allowance is available for the third child and subsequent children. As more women have entered the labour market, local authorities have extended their child care provision. Most parents of small children (62%) take advantage of municipal child care in the form of day care centers or municipally registered child minders. Local authorities are obliged to provide child care for everybody who needs it. Privately run child care is unusual in Sweden. Only 2% of families with children between one and six years of age make use of private care by employing a children's nurse or nanny, for instance.16

Parents who do not live with their children are obliged to help support them by way of a maintenance allowance to the parent caring for the child. The size of the allowance may be decided by the parents themselves or be settled by a court. The social insurance office pays a maintenance advance to the parent living with the child if the other parent pays too little. The parent responsible for paying maintenance is, however, obliged to pay back all or part of this maintenance advance. This allowance is not taxable and amounts to SEK 1,173 (US $153) per child and month. For children over 16 still attending compulsory school, extended child allowance is payable at the same rate as the general child allowance.

Another form of financial support for families with children is housing allowance. The size of this allowance depends on the number of children in a family and the size of the incomes and housing costs. However, a basic allowance is payable at SEK 600 (US $78) a month for one-child families, SEK 900 (US $117) for two-child families and SEK 1,200 (US $156) for families with three or more children, regardless of their housing costs. The rate of housing allowance is reduced by 20% of annual income exceeding SEK 117,000 (US $15,210) for a single applicant or SEK 58,500 (US $7605) for each of two spouses.
Other In-Kind Benefits That Elevate Income Poverty And Provide Social Security

The counterpart to the rights sought under the Saltsjobaden Agreement was the SAP's commitment to social equality. Demand management, indicative planning, taxation policy, currency regulations, price controls, and the gradual implementation of the variety of tax and transfer policies and social services that came to comprise Sweden's widely-admired, "cradle-to-grave" welfare state were the major tools of social and economic engineering. By the end of the 1940s, it had adopted an entirely pragmatic approach, promoting nationalization as only one of many strategies that might be used in a particular instance as a means to other ends, such as ensuring full employment. An integral part of the Swedish model, and justifiably the most renowned of its various components is, of course, the welfare state. The onset of the Depression in the 1930s and, later, World War II sparked the growth of the public sector and social welfare, which developed into a web of publicly provided, universal social services and insurance-based benefits ("transfers") designed to maintain the income levels of new parents, the sick, the disabled and the unemployed. By the 1980s, few welfare states were as comprehensive (including sickness insurance, parental insurance, refugee assistance, and high-quality, near-universal day care provision, in addition to more familiar programs such as unemployment insurance and health care); as generous (providing 90 percent replacement level for most programs, including more than five weeks of statutory vacation); or as well-funded (Sweden's expenditures on various programs and services exceeded 25 percent of GDP by 1983, making it a top spender among the OECD countries).\(^{17}\)

Moreover, because the annual earnings of the lowest income-earners in Sweden more closely approximate the average (median) income, and because the poor have access to numerous benefits and services, these groups have higher living standards than their counterparts in most other advanced nations. According to Bjorklund and Freeman, Sweden's system of tax and transfer policies was "the major cause


\(^{17}\) Olsen, Gregg M. "Re-modeling Sweden: the rise and demise of the compromise in a global economy", *Social Problems*. v43 n1 Feb 1996 p1(20).
of Sweden’s distributional record," although they also acknowledge the impact of the SWP and the commitment to full employment.18

**Labor Market Policy Programs**

To create and maintain full employment is the responsibility of the government. For many years Swedish governments pursued an active labor market policy. The policy is “active” in the sense that the unemployed are retrained, employed in public works, etc. rather than financially compensated for income losses. Including retraining, placement, and job creation, Sweden spends 2% of its GNP on getting displaced workers employed again, far more than any other country.19 Because of this support, Swedish unions haven’t resisted technological change, and haven’t found themselves in the hopeless and embarrassing position of urging the government to keep dying industries alive. Because Sweden is such an export oriented economy, these life and death decisions are made by the world market.20 The labor market policies have enabled Sweden to compete while still maintaining a strong social welfare system. As the *Left Business Observer* notes, “the social safety net complements rather than inhibits capitalism’s well-advertised habit of “creative destruction.”21 Inefficient industries fall by the wayside, but workers are supported and retrained for new positions and new firms. To oversee this active labor market policy, originally in the wage of the SWP, the state Labor Market Board was created. The next sections will discuss the structure of labor market policy in Sweden, followed by details of the supply and demand side policies that have been constructed in order to achieve the goal of full employment.

---

20 In 1996, Sweden’s merchandise exports reached SEK 566 billion (US $74 billion). Imports totaled SEK 445 billion ($58 billion), resulting in a trade surplus of SEK 120 billion (US $15.6 billion). Exports account for more than 30 percent of gross domestic product. A surge in exports over the past few years is a key factor behind the country’s recovery from the recession of the early 1990s.
The Structure of Swedish Labor Market Policy

In the 1940s the state Labor Market Board (AMS) was established to help smooth the way for restructuring of Swedish industry by private capital. AMS was responsible for numerous aspects of the full employment policy. First, employment services matched the unemployed to vacancies on a national basis. By law, every vacancy and layoff must be reported to the services, in turn, AMS pays substantial mobility and relocation grants. Until recent cut backs, the latter increasingly took the forms of serious financial inducements. This led to a breakup of established communities by encouraging a substantial proportion of the unemployed to migrate to the boom areas in the south of the country. Second, AMS organizes and administers job-training programs (beyond the in-house training by employers) in training centers and schools. Third, AMS oversee job creation measures including relief-work projects, temporary employment subsidies and recruitment subsidies. Finally, there are extensive special measures for the long-term unemployed involving the subsidization of wages in the open labor market. A unique result of these measures, in comparative terms, is that 17 percent of the unemployed in 1996 were jobless more than a year, compared to about 50 percent on average in the European Union.\(^22\)

The work of the AMS is carried out through county labor boards located in each of Sweden’s counties. These county labor boards operate the offices of the public Employment Services and the employability institutes. The 23 county labor boards have overall responsibility for labor market policy in each respective county. The offices of the Employment Service are responsible for providing hands-on assistance to job seekers and employers. In all, there are about 400 publicly run employment offices, including about 50 specialized offices that handle placements in such fields as technology, accounting and finance, computers, cultural occupations and employment abroad. The Employment Service once enjoyed a monopoly on job placement, but since July 1, 1993 private employment offices have also been allowed

\(^{22}\) Compared to the other countries in our study this statistic is middle of the road. In the US, 10 percent of the unemployed were jobless for more than 12 months, in the UK this figure was 40 percent. *Labour Force Statistics, 1977-1997*, OECD, Paris 1998.
in Sweden. However, with certain exceptions, employers are legally required to register job vacancies with the public Employment Service.

Since 1996 more power over local labor market policy has been devolved to municipal governments. For some years, each municipality has had an Employment Service Committee made up of representatives of the County Labor Board, the Employment Service, the municipality, the local business community and local employee organizations. One innovation since the autumn of 1996 is that a majority of committee members are appointed upon the recommendation of the municipal government, which thus enjoys a decision-making majority.

The structure of labor market policy in Sweden is somewhat similar to that of the UK, but very different than that of the US. The highly centralized coordination of labor market policy is possible in part because of Sweden’s size. Sweden has a land area of 174,000 square miles, about the size of California, but at the same time one of the most sparsely populated countries in Europe with 8.8 million inhabitants. Because Sweden is relatively small compared to the US and UK, it is able to effectively centralize labor market policies in ways that could not be done elsewhere.

_Employment Service Programs to Improve the Supply of Labor_

The Employment Service offices and employability institutes are the local organizations in charge of implementing labor market policy. The Employment Service offices are mainly engaged in providing information, job placement, and matching and vocational counseling services. The offices also process applications for unemployment benefits. Most labor market policy resources are delegated to the local Employment Service offices. These offices also cooperate with the employability institutes in helping people with occupational disabilities and in administering labor market programs targeted to them. Another Employment Service program that is aimed at helping job seekers improve their chances of finding work is “job seeker activities.” This includes training courses on how to apply for a job, as well as motivation-raising activities. Course participants retain their unemployment benefits during training.
In addition to the Labor Market Administration’s programs to reduce unemployment while improving labor force skills, Sweden is investing heavily in its regular educational system. The government is expanding the number of openings in institutions of higher education and in upper secondary schools, as well as in other alternatives such as municipal adult school system and folk high schools (which are mainly small and residential).

*Programs to encourage demand for labor and generate employment*

The purpose of these programs is to maintain the demand for labor during periods of weak demand. They also provide unemployed individuals with jobs and workplace experience that can make it easier for them to find a position in the regular labor market or provide the basis for choosing an occupation or training program.

*Employment training* is designed to foster economic growth by meeting the need for vocationally trained individuals, meanwhile promoting greater equality by helping people with a weak position in the labor market. In recent years, training programs for the manufacturing sector and information technology have dominated. Employment training programs are characterized by rapid adjustments to changes in the labor market. Most of them are short advanced training programs purchased from outside organizations by various training organizers, both private and public. Employment training at the compulsory or upper secondary school level is available only to people with occupational disabilities and certain foreign citizens. Those who participate in an employment training program receive a training grant equivalent to the unemployment benefit they would have been entitled to. Those who are not eligible for such benefits receive a minimum amount.

The *employability institutes* and *Employment Service offices* are jointly entrusted with designing action plans for job seekers with occupational disabilities and other difficulties. The institutes have specialized resources and expertise in evaluation of working capacity, practical job orientation, workplace adaptation, etc. Some of the institutes have expertise in helping individuals with particular disabilities, such as people with visual impairments or people with mobility disabilities. Participants receive training
grants equivalent to the unemployment benefits they would otherwise be entitled to. Those who are ineligible for such benefits receive a minimum amount.

People who are unemployed or at risk of becoming unemployed and who can land a job in another geographic area can apply for relocation grants. There are several types of grants. Job seekers invited for an interview in another locality can obtain compensation for travel expenses. Commuting grants are available to those who work in another locality and decide not to move. Those who choose to move can obtain starting grants, including cash payment, shipment of household goods and the trip to the new job locality. A person who has received relocation grants but is not satisfied with the new locality can obtain a grant to move back. The basic precondition for relocation grants is to file an application before the date of the trip, move or new job.

Relief jobs are the oldest program aimed at encouraging demand for labor and have existed since 1933. Their purpose is to generate temporary work for unemployed people over age 25 who have been unable to find work or other suitable programs. During the 1990s, relief jobs have diminished in importance. They are primarily used for people who risk exhausting their unemployment benefits. These temporary jobs are largely found in public sector services and to some extent in road building and civil engineering projects. A relief job lasts for a maximum of six months. Program participants receive wages according to collective agreements. The Employment Service provides grants to employers to cover part of the wage cost.

Recruitment subsidies, which have existed since 1984, are intended to make it easier for long-term unemployed people registered with the Employment Service to find jobs, primarily in the business sector. The program can be used to accelerate the hiring process and influence an employer’s choice of job seekers. Trainee replacement grants are intended to make it easier for employers to raise the skills level of their employees, thereby improving the competitiveness of the company. Another purpose of the program is to give unemployed individuals a chance to work as substitutes while regular employees are away on educational leave or starting their own businesses. Recruitment subsidies and trainee
replacement grants may not exceed 50 percent of wage or salary costs or run for more than six months. Educational grants of up to SEK 20,000 (US $2600) per substitute are payable.

_start-up grants_ are available to people who are unemployed or at risk of losing their jobs and need help in supporting themselves while establishing their own new business. Applicants must present a viable business plan to the Employment Service office. The grant is equivalent to the benefit that would otherwise have been paid from an unemployment insurance fund, but it can also be provided to people who are not entitled to such benefits. It is normally payable for a maximum of six months.

 workplace introduction (API) is a program that began in 1995. It replaced a number of older programs that provided job training opportunities. Unemployed people who are found to need a period of workplace training, and who cannot be given an ordinary job or be accommodated in another suitable program, may train for up to six months in the private or public sector. For young people with occupational disabilities, this period may be extended. During this traineeship, participants receive orientation, counseling services and practical vocational training. The workplace introduction program is targeted to unemployed people aged 20 and up. Participants in the workplace introduction program receive a training grant equivalent to the unemployment compensation they would otherwise be entitled to. Those who are not eligible for unemployment insurance receive a minimum amount. Employers pay SEK 2,000 (US $260) per month for each trainee, but no fee is required if a trainee is more than 60 years old, an immigrant or a person with occupational disabilities.

Grants for in-house training at companies is a form of financial subsidy to employers who train their personnel. This subsidy may be available in connection with new hires, to adapt employee skills to changing technology or work systems, or as an alternative to layoffs.

Sweden’s municipalities have signed an agreement with the county labor boards to provide _municipal programs for young persons_ under age 20. The purpose of this agreement is to ensure that municipalities assume overall responsibility for unemployed youth. These programs are aimed at preventing long-term youth unemployment from arising or continuing. The municipalities provide young
people with individually tailored programs in the form of traineeships or instruction to prepare or facilitate their entry into the regular labor market. Program participants receive compensation from the municipal government, which also sets the amount of compensation.

The employment development (ALU) program was introduced in 1993 to help stop the increase in long-term unemployment due to the recession in Sweden. Its aim is to take advantage of unemployed people’s desire for activity and personal development, as well as make it easier for them to return to the regular labor market. In addition, ALU prevents people from exhausting their unemployment benefits, because they qualify for a new period of benefits after completing the program. ALU is primarily organized in project form by voluntary associations, municipalities and non-profit organizations. A person may take part for a maximum of six months. ALU participants receive training grants equivalent to the unemployment benefits they would otherwise be entitled to.

The newest additions to the demand side policies came in 1997. Under the first new program, the resource job program, public sector employers would be entitled to provide positions for long-term jobless people who collect unemployment benefits. They are full-time participants, but 10 percent of their program time is used for job searching. Participants receive compensation equivalent to the unemployment benefits they would otherwise have received. Employers are allowed to supplement this compensation, bringing the total up to a maximum of 90 percent of the income on which a person’s unemployment benefits are based. However, these resource jobs cannot exceed six months. The other new program involves more active use of unemployment benefits. This might, for example, include a trainee position that does not fit into ordinary trainee systems and a broader range of instruction. This program allows greater opportunities for local initiatives, thereby increasing local influence on labor market policy. Under the new program, participants receive unemployment benefits even though they are not available to join the labor market as specified in the rules for receiving unemployment benefits.

Through a combination of supply and demand side programs, Sweden is able to promote an active labor market policy designed to support full employment. The programs, in combination with
social security and unemployment benefit programs, have been vital to the Sweden model's success in keeping unemployment relatively low and poverty virtually nonexistent over the past 60 years. However, this is not to say that Sweden has not had some difficulties. As we will see in the next section, the recent crises have challenged and changed the Swedish model. Nonetheless, the commitment to employment and equality remain.

The Recent Crisis in the Sweden

Like many other highly developed industrial countries, Sweden has experienced weaker growth in recent decades. Between 1980 and 1990, GDP rose by an average of 2.0% annually. This can be compared with 3.3% during the 1950s and 4.6% in the 1960s. During the 1980s, economic growth in Sweden was at about the same level as in the rest of Western Europe. In a number of respects, however, Sweden developed differently. Unemployment remained low, while in many other countries it tended to stay at high levels. Prices and wages rose far faster in Sweden than elsewhere. The Swedish balance of payments on current account continued to show large deficits. One significant factor in this context is that to a greater extent than in other Western European countries, the growth of Swedish output during the 1980s was based on higher employment not productivity, which showed weak growth.

However this "success" was accompanied by a series of complications as the economy became increasingly overheated, worsening cost and inflation problems. For Swedish exporters, this resulted in sagging market share and weaker earnings. Thus, the 1990s saw the worst recession in modern Swedish history. Between 1990 and 1993, GDP declined by 5%. Of particular concern was the rise in unemployment and the accompanying strain on the Swedish social welfare system.

For many years, Sweden has had one of the highest labor market participation rates in the world. While unemployment in other countries continued to mount after the oil crises of the 1970s, Sweden remained a sterling exception. The percentage of the population aged 16–64 with paid jobs rose sharply

---

from about 70% in the early 1950s to 82.6% in 1990. The continuous expansion of the public sector is one important reason for this trend. According to the Swedish government, since 1950 nearly all employment growth has taken place in the public sector.\(^{25}\)

So far during the 1990s, the situation in the labor market has drastically changed. Sweden’s lead has vanished. Between 1990 and 1994 the labor force shrank by more than half a million people. As a consequence, the participation rate fell to 77.6%. The percentage of working-age people with paid jobs slid to 71.5%. The fall in gainful employment resulted in a dramatically higher jobless rate. In 1994 registered unemployment totaled 8.0%, compared with 1.7% in 1990.\(^{26}\) The increase in registered unemployment was far less than the decline in employment, however, because many people who lost their jobs entered labor market programs, became students or began collecting disability pensions. This sharp rise in unemployment has in turn fuelled an unprecedented need for transfer payments, which has served to push the predicted budget deficit to 13% of GDP.\(^{27}\)

During the 1994–95 economic recovery, there was some improvement in the labor market situation, with a relatively sharp increase in the number of jobs in 1994 and until mid-1995. During 1995 registered unemployment averaged 7.7 percent. In 1996 the labor market weakened again, and unemployment climbed to 8.1 percent. Employment fell to 3,902,000 individuals in December 1996. Some 195,000 people were enrolled in labor market policy programs. Altogether about 540,000 people in Sweden are either unemployed or enrolled in such programs. Recently, these two categories of people have accounted for 12–13 percent of the labor force. Registered unemployment has stayed in the 7.5–9 percent range. Labor force participation was 78 percent in 1996, compared to 85 percent in 1990.\(^{28}\)

---


\(^{27}\) Wilks, Stuart. “Class compromise and the international economy: the rise and fall of Swedish social democracy.” Capital & Class, Spring 1996 n58: 93-94.

Late in 1997 and early in 1998, however, the labor market situation showed some improvement. As Figure 2.1 shows, registered unemployment has declined significantly. This was partly due to job creation, but it was also a result of an increase in the number of openings at municipal adult schools and institutions of higher education. During the period 1997-2000, an estimated 60,000 permanent new openings in higher education and 140,000 openings in municipal adult education and skilled vocational training are being created by the government’s Adult Education Initiative (AEI). The short-term goal for this project is to reduce unemployment by 50 percent by the year 2000. More importantly however is the role these programs play in the strategy to improve the education and skills of the Swedish workforce over the long-term.

The economic downturn of the early 1990s and persistent higher unemployment have led to extensive discussion of the way the Swedish labor market functions and changes in the generosity of the welfare state. In an effort to reduce government spending, levels of income-related benefits for parental, unemployment and sickness insurance were reduced from 90 per cent to 80 per cent of income by the

---

conservative government, and then cut again by the when the Social Democrats returned to power in 1994. The conservatives also have proposed state-controlled unemployment insurance program as an alternative to the long-standing system administered by union-linked benefit societies, in what Olsen rightly calls "a blatant attempt to weaken workers' connections to the unions."30 But, however startling the cutbacks were relatively minor. Means or income tests were not introduced and universality was maintained. However, the most worrisome development regarding the long-term stability and maintenance of a universal welfare state has been the emergence of private welfare programs. Run by businesses and other private firms, these programs, such as private health care and sickness benefits, are an attempt to provide previously public benefits outside of government. The goal of these efforts is to reduce the demand for these benefits to be provided through the public sector. Similar to programs found in the US, these programs could be devastating to the Swedish welfare state on two levels. First, they will more than likely reverse the trend toward social equality, and second, it will divide the constituencies whose previous commitment to public benefits was vital to the universal welfare state.

Conclusion

Looking back on the development of the Swedish model, its emphasis on employment and equality, compromise and consensus, the recent troubles of the Swedish model provide a mixed review of the present state. The erosion of centralized bargaining and the solidaristic wage policy have put the model in crisis. However, other key elements of the model remain. As Meidner points out, "If we recall that full employment and equality have been the main goals of the model, we will find that no fundamental change has taken place."31 Commitments to these two goals still remain, and in fact, the recent electoral success of the Greens and Left Party in terms of drawing support away from the SAP on the left, are signs that a commitment to greater benefits and social equality remains. As one Swedish analyst observed prior

to the recent elections, “Talking about tax cuts in this campaign is like swearing in church.”

And, apart from a few liberal economists, no group or political party in Sweden questions the high priority of full employment as a goal. Nor is equality abandoned as a goal of high priority. True, the public sector is attacked for alleged inefficiency and bureaucracy, but, thus far, freedom of choice with the framework of the public sector seems to be the preferred option, not privatization.

While the breadth of these modifications that have occurred in the recent years are both startling and significant, they are relatively minor when compared with the dramatic restructuring that has occurred in other nations such as the U.K., especially given Sweden’s advanced level of development. As Olsen notes, “Means or income tests were not introduced, and universality maintained its status as the central feature of the welfare state.”

One point of concern should be the end of the era of compromise and the demise of the two central accords that accompanied it. Whereas in the 1930s, the conditions of the economic crisis benefited social democrats and created a compromise favorable to labor, the undermining of this compromise during the more recent crisis has resulted primarily from a shift of power to capital which has occurred as part of the process of globalization. As Wilks notes, “The demise of the terms of agreement of this class compromise represents the most fundamental challenge to social democracy in Sweden today.”

For the Swedish model to survive the commitment to employment and equality must remain central to the structuring of economic, social, and political life. Furthermore, just as the social democrats and labor leaders were able to reach out to farmers and white-collar workers to build the labor support for the original Swedish welfare state, then reach across the aisle to achieve compromise with the business sector, they must do the same today. Only these efforts will be able to maintain the egalitarian welfare state in an era of globalization and rapid technological change.

34 Wilks, Stuart. “Class compromise and the international economy: the rise and fall of Swedish social democracy.” Capital & Class, Spring 1996 n58: 90.
CHAPTER 3:
THE UNITED KINGDOM
From Beveridge To Blair: Social Assistance Policy In The United Kingdom

Since the initial wave of welfare states created throughout the West following World War II, the British welfare state has occupied the ideological middle ground amongst capitalist states. It has not been dominated by Social Democratic ideology like Sweden, nor has it been dominated by voluntarism and reluctant collectivism as in the United States. As Norman Ginsburg notes, “the ‘mixed economy of welfare’ in Britain shares something in common with the notion of the Social Market Economy of Germany, but with lower levels of welfare expenditure, a more egalitarian ethos and more emphasis on direct, public provision of services.”

Although social welfare policy in the United Kingdom dates back to the Elizabethan poor laws, the modern British welfare state began with the implementation of the Beveridge Plan and the Labour Party victory in 1945. The ideas set forward at the time were based on a commitment to full employment, fairly steady if unspectacular economic growth and incremental expansion of a universalist welfare state in line with economic growth. Since that time conservative critics attributed the ills of British society and the faltering state of its economy to the institutionalization of a national minimum of social security. These criticisms came to a head in the mid-1970s with the withering of the post-war settlement between capital and labor in the context of stagflation, mass unemployment, retrenchment of the welfare state, and anti-union measures used by governments in the attempt to restore the health of British business and the economy in general.

The fiscal crisis of the 1970s led to the collapse of Labour’s power and the rise of the Thatcher-led Tories. During the 1980s cuts in social welfare, permanently high levels of unemployment, and a regressive reform of personal taxation succeeded in significantly increasing the level of poverty and widening the inequalities between the affluent and those on below average incomes (See Figure 1.1). Finally, in the wake of the 1987 election, ‘third term’ Thatcherism tackled the restructuring of the welfare state more directly and thoroughly than ever before. This project, according to Ginsburg, “sought to

---

change the role of the welfare state in Britain from being a direct provider of welfare to being a regulator of privately provided welfare.”

In this vein, Thatcherism succeeded in moving the British welfare state away from European models and more towards the model of the United States through reductions in services and privatization. This trend has continued even as power has shifted back to Labour. The policies and politics of Tony Blair’s ‘New Labour’ government mirror those of Bill Clinton and the ‘New Democrat’ wing of the American Democratic Party. Nowhere is this more clearly demonstrated than in the areas of welfare-to-work and job-training policies.

Since their election almost two years ago, the Labour Party has made welfare-to-work one of their policy priorities. Similar to Bill Clinton’s pledge to “end welfare as we know it” in the United States, Chancellor of the Exchequer Gordon Brown has declared, “There will be no fifth option – to stay at home on full benefit.” For example, those who receive Jobseeker’s Allowance (unemployment benefit) and refuse a job or placement will see their benefits reduced by at least 60% and perhaps permanently if they continually fail to comply. Since the level of Jobseeker’s Allowance is carefully tailored to be an absolute minimum level of subsistence, a loss of the major part of it means nobody could make do on what’s left. This is one example of the many changes that Labour has undertaken. The most notable changes have been the New Deal, the Working Families Tax Credit, the Child Care Credit, and Work Based Training for Adults and for Young People. Labour has also undertaken a number of changes in the National Health Service and education, which indirectly assist low-income individuals. Although all of these programs combine to make the British welfare state, for the purposes of this paper I am mainly concerned with the recent actions pertaining specifically to welfare-to-work and job-training. Thus the remainder of this chapter will focus on describing the changes that have taken place within the British welfare state relating to income support and employment and training programs. The income support measures that I review include Jobseeker’s Allowance, the various “New Deal” programs and the Working Families Tax Credit. I then will discuss the two primary employment and training measures – Work Based Training for Adults and for Young People. I conclude by examining in more detail the question of why these changes

---

have taken place, especially given the Labour Party's past commitment to socialism and the welfare state.

I begin by reviewing the income support programs for the poor and unemployed.

**Income Support Programs under New Labour**

*Jobseeker's Allowance*

*Jobseeker's Allowance (JSA)* was a program that began during the final months of the Tory regime. It replaced Unemployment Benefit and Income Support for unemployed jobseekers. But its continuation and development under the Labour government demonstrate some of dramatic differences between 'Old Labour' and 'New Labour,' but also some of the similarities between the British system and the new American reforms.

JSA can be either contribution-based or income-based, and is normally paid for seven days each week. If individuals have paid enough National Insurance (NI) Contributions they receive a personal rate of contribution-based JSA, regardless of capital or of partners earnings, for up to 182 days. Additional benefit for dependants is not paid with contribution-based JSA. For those who do not qualify for contribution-based JSA or need more money, they may attempt to secure income-based JSA. To receive JSA individuals must either satisfy the Contribution-based conditions or the Income-based conditions for the benefit to be payable. The intent of JSA is to be a transitional support program for the unemployed, thus to receive the benefit an unemployed person must fulfill the following criteria:

- are available for employment; and
- have entered into a Jobseeker's agreement; and
- are actively seeking employment; and
- satisfy the contribution-based conditions or the income-based conditions; and
- are not engaged in remunerative work; and
- are capable of work; and
- are not receiving relevant education; and
- are under state pension age.
Groups such as single parents and carers have the choice of claiming JSA or an alternative benefit, Income Support. To qualify for JSA a person must be unemployed or working on average less than 16 hours a week. Partners of customers receiving income-based JSA are able to work for, on average, up to 24 hours a week. Individuals who are working for, on average, 16 hours or more a week (24 hours or more in the case of partners in JSA are, with a few exceptions, not eligible for JSA. For these people, there are no restrictions on the hours they can spend doing this type of work and still remain eligible to claim JSA. JSA is paid every two weeks through automated transfer or direct deposit.

The qualifications for JSA are a microcosm of the overall welfare-to-work plans of in that it is tightly connected to employment. Only those who were employed and who are attempting to find employment are eligible to receive benefits. Furthermore, the provisions of benefits themselves are also emblematic of this connected to work. For example, the conditions for contribution-based JSA are based on National Insurance contributions from previous tax years; meaning that people only get out what they put in. In some ways the idea of getting out what an individual put in is consistent in all three countries. However, in Britain and the US the sanctions are tighter and the benefits significantly reduced, thus making unemployment “less profitable” and consequently “less attractive.” Consistent with Chancellor Brown’s firmly articulated principle of “no fifth option,” JSA is limited for individuals receiving benefits through the contribution-based scheme. For those individuals JSA benefits are be limited to six months. Income-based JSA will be paid for as long as the customer’s income is less than the applicable amount and the conditions for receipt are met.

Furthermore, along with the “carrot” of income loss, the JSA also features the “stick” of benefit reducing sanctions. Along with the tight qualifications, JSA requires recipients to take certain actions as a basic condition of support. These conditions include being available for and actively seeking work, as well as signing a Jobseeker’s Agreement or failing to participate in a require activity, like attending job-training sessions. Under JSA, sanctions also apply if actions the recipient mean that they have unreasonably become or remained unemployed, for example, in the event that an individual leaves their
job voluntarily without good reason, loses a job through misconduct, refuses or fails to act on an offer or opportunity of employment without good reason, they can be sanctioned. Sanctions range from reduced benefits, to one-time loss of benefit, to permanent disqualification. In the event that an individual is disqualified, no JSA is payable except in cases of extreme hardship.

*Working Families Tax Credit (WFTC):*

The Working Families Tax Credit replaces the Family Credit. Family Credit was a means-tested social security benefit administered by the Benefits Agency and paid to people in families where at least one person works full-time (i.e. for 16 hours per week or more). The WFTC, as its name suggests, will be a tax credit administered by the Inland Revenue, again for people working full-time. From April 2000 it will be payable either through the pay packet or directly by the Inland Revenue. Family Credit assisted approximately 757,000 families and cost around £2.35billion (US $3.7 billion) in 1997-98.\(^3\) The WFTC is more generous than Family Credit in its higher earnings threshold, its lower benefit reduction rate and more generous help with childcare costs. Consequently, it is expected to reach 1.4 million families, at a cost of around £5 billion (US $8 billion) a year in the coming year year.\(^4\)

In May 1997, Chancellor Brown set up a task force to examine the interaction of the tax and benefits to promote work incentives, reduce poverty and welfare dependency and strengthen community and family life. In his July Budget, the Chancellor made it clear that the task force had been asked at an early stage to look at the advantages of introducing a tax credit drawing upon the American experience of the earned income tax credit.

Although a more detailed review of the earned income tax credit (EITC) will appear in our discussion on programs in the US, a basic understanding the EITC is needed to grasp the British system. The EITC is a credit on federal income tax available to poor working families. It was first adopted in 1975, although there have been many changes to it since then. The value of the credit is calculated on the basis of the family's annual earnings and whether the family has one child, or two or more children. The

---

value of the credit rises with earnings, reaches a plateau when annual earnings are around $12,000 and then is reduced by a rate of 16-21% for families with children. In the two-child case, the credit supplements earnings at the rate of 40 cents per dollar, up to a total annual earnings of $8,890 (i.e., a maximum credit of $3,556 is paid). Beyond earnings of $11,610 it is withdrawn at a rate of 21% until earnings reach $28,495. The credit is refundable so that any credit due in excess of tax liability is given directly to the taxpayer.

The task force, led by British banker Martin Taylor, reported that the EITC had much in its favor, although a UK tax credit would have to be different in a number of respects. Mr. Taylor writes:

I concluded that the US EITC had much to recommend it. Although the differences between the UK and US tax and benefit systems need to be recognised, there is no overriding reason why the UK should not have a tax credit payable though the pay packet to families in work. The advantages were clear: as a tax credit rather than a welfare benefit, it would reduce the stigma currently associated with claiming in-work support; it would prove more acceptable than social security benefits to most claimants and taxpayers as a whole; paid through the wage packet, it would reinforce the distinction between the rewards of work and remaining on welfare; it could help lower marginal tax and benefit withdrawal rates.\(^5\)

The report made it clear that "a number of design issues would have to be considered". These included: payment to the mother or father according to the choice of the couple, mechanisms to avoid abolishing individual tax assessment, reducing the burden on employers, possibly by the Inland Revenue calculating entitlement.\(^6\) In essence, the Working Families Tax Credit is premised on the same concept as the EITC: it is a tax credit - it either reduces the tax bill or is paid to the family if it exceeds the tax liability. However, this is not to say that the WFTC is simply an imported version of the EITC, because the structure of the WFTC was already in place under the Family Credit program.

The WFTC is only one element of the Government's "making work pay" strategy of welfare-to-work. Other aspects include a 10p rate of tax and a reform of benefit tapers, a minimum wage and affordable childcare. According to the Treasury, there are a number of advantages from the WFTC.


including: it would boost work incentives, by rewarding greater earnings and employment; as a tax credit rather than a welfare benefit it should result in a lower overall expenditures, particularly in terms of administrative costs; its clear link with the pay packet and the tax system should demonstrate the rewards of work over welfare; it could prove a highly effective way of targeting help at low income families, thus reducing poverty and strengthening the family.\(^7\)

Another important change for low-income families under the WFTC is the difference in time and rate at which the benefits of the credit are eased out. Under the Family Credit, the benefit starts to be withdrawn once net income reaches £79 (US $126) in a given week and at a rate of 70p for each extra £1 earned over the threshold. The Working Families Tax Credit, on the other hand, starts to withdraw income once net income reaches £90 (US $145) a week, and at a rate of 55p for each extra £1 over the threshold.\(^8\) Furthermore, the way the credit is paid is also different. Because it is a tax credit, it will either be deducted from income tax liability or (where it exceeds that liability) the excess will be paid either through the pay packet, or directly from the Inland Revenue.

Other important and related changes have occurred in relation to the child credit rates for children under 11. Under the Labor Government they are £2.50 more than they are under the previous structure of the Family Credit. The new childcare tax credit will cover the same forms of childcare as the existing credit. It will be worth 70% of eligible childcare costs, subject to an overall limit on these costs of £100 (US $161) per week for one child and £150 (US $242) per week for two or more children. Thus the maximum support will be £70 (US $113) per week for a family with one child, and £105 (US $170) per week for a family with two or more children. Unlike under the present system, this maximum will be available to those with low enough incomes to be on the maximum WFTC (before the childcare tax credit is calculated). The childcare tax credit will be an integral part of the WFTC. It will be added to the adult

---


and child credits, and withdrawn at the same rate - 55%. As with the current program, the childcare tax credit will be available to any lone parent working 16 hours per week or more, and to any couple where both partners are working 16 hours per week or more.

One explicit aim of the WFTC is to improve work incentives by easing the unemployment and poverty traps. This is similar to the Conservative government goals for Family Credit in the mid-1980s. The unemployment trap describes a situation where the unemployed can be better off out of work than in work. The poverty trap describes a situation where very high marginal tax rates caused by combinations of tax, national insurance and benefit withdrawal means that earning an additional £1 in gross income can result in little extra net income (or in extreme cases, less net income).

It is important to realize that these problems are fundamental ones in a system that gives means-tested help. Martin Taylor, in his report, explains this as follows:

The low financial returns from work reflected in the unemployment and poverty traps result from providing a benefit safety net for those who have few resources of their own. Once such a safety net is provided, it has to be reduced at higher income levels either directly through the withdrawal of benefits or indirectly through the taxes needed to pay for these benefits. The trade-off between incentives and support for those without resources of their own cannot be avoided. The issue is how fast the safety net should be reduced. If withdrawn rapidly, it will mean a relatively small number of people face very high marginal rates; if withdrawn more slowly, a larger number of people will be affected by moderately high rates.9

The Working Families Tax Credit attempts to ameliorate the unemployment and poverty traps by providing an incentive to work, unlike other benefits. Although structural issues, such as when to reduce the safety net, remain the WFTC and the expansion of the child care credit are vast improvements over the previous system of Family Credit.

New Deal for Young People

The welfare state was and remains a great British achievement. It was set up to provide security for all, and opportunity for all, goals that are as relevant today as in 1945. But for millions out of work or suffering poverty in work, the welfare state today denies rather than provides opportunity. So it is time for the welfare state to put opportunity back into people's hands. First, everyone in need of work should have the opportunity to work. Secondly, we must ensure that work pays. Thirdly, everyone who seeks to advance through employment and education must be given the means to advance. So we will create a new ladder of opportunity that will allow the

---

many, by their own efforts, to benefit from opportunities once open only to a few. Starting from next year, every young person aged 18 to 25 who is unemployed for more than six months will be offered a first step on the employment ladder. ¹⁰

Chancellor Brown’s statement announcing the leading element of the Labour Government’s "Welfare to Work" program, the New Deal for Young People, is emblematic of the 'New Labour' position on the welfare state. There is the strong desire to keep the liberal social security state which Labour created and has defended over fifty years, yet at the same time an influx of new ideas that find their roots more in the New Democrat politics of Bill Clinton than Labour’s traditional core supporters – labor unions. The New Deal for Young People offers all young people aged 18-24 who have been unemployed for six months or more four options: a subsidized job, a place on the Environment Task Force, a place with a voluntary sector employer, or full-time education or training. One immediate similarity to welfare-to-work legislation in the US, is the rule that those who qualify for the New Deal must participate in the program, benefits are cut for people who refuse to participate yet still want to receive government benefits.

The program covers all young people aged 18-24 who have been claiming Jobseeker’s Allowance (JSA) for six months or more.¹¹ Certain groups are able to enter before six months if they wish. These include: people with disabilities; persons returning to the labor market; lone parents; people whose first language is not English, Welsh or Gaelic; those with reading, writing or numeracy problems; those who have become unemployed as a result of large scale redundancies and young people leaving local authority care.¹² Employment Service personal advisers have discretion to admit others early if they consider them to be at a particular disadvantage in their search for work because of problems such as drug dependency. Homeless people were added to the list of those eligible to join the New Deal early in July 1998.¹³

The program begins with an intensive period of advice, counseling and guidance - the "Gateway" to the New Deal - organized by the Employment Service and delivered by local partners or the

---

¹¹ DfEE Press Release, Blunkett’s call to the nation to join his crusade for jobs, July 3, 1997
Employment Service itself. During this period the Employment Service aims to place the most job ready young people in unsubsidized jobs. Planning assumptions for the New Deal are based on 40% of young people on the Gateway finding work without the help of one of the subsequent options. If participants are still unemployed after the Gateway, they will be offered one of four options:

1. The Employment Option: A job with an employer, including at least one day a week (or its equivalent) in education or training designed to reach an approved qualification. The employer will receive £60 (US $96) a week for up to 26 weeks for those working at least 30 hours a week.\(^{14}\)

   A subsidy of £40 (US $65) per week for up to 26 weeks is payable for part-time jobs offering between 24 and 30 hours per week. In addition to the subsidy, employers receive £750 (US $1,208) per person to finance the associated training. The public sector will be able to recruit young people under the scheme but it is expected that "the large majority of places on the New Deal Employment option will be in the private sector, reflecting the balance in the workforce as a whole."\(^{15}\) Participating employers have to sign an "Employer Agreement" in which they agree not to make anyone redundant in order to take on the New Deal employee, to pay the young person at least the amount of the subsidy and preferably the rate for the job, and to aim to retain them in the job once the six month subsidy comes to an end.

   Additionally, a self-employment option has recently been initiated. Young people expressing an interest in self-employment during the Gateway will be offered initial support and advice from a New Deal Personal Adviser at the Employment Service. They will then receive a basic awareness-raising session about self-employment run by an appropriate training organization. They will also be offered one-to-one counseling or a short course to provide information about setting up a business. If they are still interested at the end of the Gateway they will go on to the self-employment program. This involves supported training for up to 26 weeks during which time the participant receives an allowance and continues with part-time training towards an appropriate qualification. During this period, a business

\(^{14}\) Equipping Britain for our long-term-future: Financial statement and Budget Report, HC 85, July 1997, p. 31
\(^{15}\) DfEE, Design Document.
adviser will be identified to offer support to the participant and this can continue for two years after the participant has started trading independently.

2. The Environment Task Force Option: This option allows recipients to take a job for six months with an Environment Task Force provider that will include day release education or training towards approved qualifications. Work done on the Environment Task Force option “will contribute to the improvement of the local, regional or global environment and be compatible with sustainable development.” Projects can include dealing with housing, forest and park management and reclamation of derelict or wasteland. They may also be designed to help meet the Government’s targets for heat conservation and efficiency. Participants receive an allowance equivalent to the benefit they would otherwise receive and remain entitled to “passported” benefits (benefits received from another program based on participation in another benefit program). In addition, they will receive a grant of up to £400 (US $644) paid in installments and help with travel costs above £4 a week.

3. The Voluntary Sector Option: Participants in this program hold a job for six months with a voluntary sector employer, again including day release education or training towards an approved qualification. As with the Task Force option, participants receive an allowance equivalent to benefit and remain entitled to passported benefits. In addition, they receive a grant of up to £400 (US $644) paid in installments and help with travel costs above £4 a week. As a complement to the New Deal for Lone Parents there will be a particular emphasis on voluntary sector placements to provide 50,000 new trained childcare workers.

4. The Full-Time Education and Training Option: This option is designed “primarily to provide help for those who lack the qualities, attitudes and basic skills for employment.” Participants in this option are guaranteed access to up to 52 weeks of full-time education and training on a course leading to an approved qualification; support for basic skills leading to the achievement of an approved qualification; or

---

16 DfEE, Design Document.
17 DfEE, Design Document.
a combination of these. As with other programs, young people on this option will receive an allowance equivalent to benefit and remain entitled to other benefits. They also have access to a discretionary fund to help with travel and other costs. Young people who fail to take up an option are required to take a place identified for them by the Employment Service. If they do not, benefit sanctions may be applied.

The regulations implementing the basic Jobseeker’s Allowance (JSA) sanction for those who refuse to take up one of the New Deal options were implemented in January 1998. They deprive those who refuse a New Deal place of the JSA personal allowance (currently £39.85 (US $63) per week) for two weeks for a first refusal and for four weeks for a subsequent refusal within the following twelve months. This is the standard JSA benefit sanction for failing to go on a compulsory program or obey a Jobseeker’s Direction. Although such people lose their JSA benefit, they do not lose their entitlement to it. This is important because for those on income-based JSA, it is entitlement, not actual payment, which acts as a permit to Housing Benefit, Council Tax Benefit, and other benefits such as free prescriptions, so they will continue to receive these benefits. Those who take up the employment option in the New Deal lose their automatic entitlement to some benefits under the Jobseeker’s Allowance. As employed people, they are no longer seeking a job and thus no longer entitled to JSA. They may, however, claim housing and other in-work benefits on the grounds of low income.

**New Deal for the Long-Term Unemployed**

The New Deal for the Long-Term Unemployed is another crucial element of the Government’s Welfare-to-Work policy and is aimed at those people over the age of 25 who have been unemployed for more than two years. Individuals 25 years and older and claiming Jobseeker’s Allowance/Unemployment Benefit for more than two years will automatically enter the New Deal for the Long-Term Unemployed. Those already unemployed for more than two years when the New Deal starts will enter the New Deal at their next full year point. For example, somebody unemployed for two and a half years in June 1998 when the New Deal starts will enter it in December 1998 when they reach three years unemployment. People in

---

this situation will be able to join the New Deal early if they wish to do so, as will people who have been unemployed for at least one year, if they face severe disadvantages in finding work.\footnote{Research Paper 98/111, December 7, 1998, p. 33}

Unlike the New Deal for Young People, the New Deal for the Long-Term Unemployed does not guarantee a place on a program to everybody in the eligibility group. All eligible claimants will be offered a series of individually tailored advisory interviews carried out by a New Deal Personal Adviser. Claimants may then be referred to one of a number of programs provided through the Employment Service. These include: programme centres, Jobplan Workshop, Jobclub, Work Trials, Jobfinder's Grant, Jobmatch, Travel to Interview Scheme, and Work Based Training for Adults.

Similar to the New Deal for Young People, the Long-Term Unemployed have a number of employment and training options from which to choose. The first is an employment option, similar to those in other New Deal programs. This option encourages employers to hire New Deal participants by providing a subsidy to employers of £75 (US $121) per week for 26 weeks for jobs offering at least 30 hours per week, and £50 (US $81) for jobs of between 16 and 29 hours per week. Employers must sign an agreement that confirms they have not dismissed an existing employee to take on somebody under the New Deal and the post offered must be permanent or expected to last for at least six months. However, unlike the New Deal for Young People, employers do not receive additional money for training and are not be required to offer it.

The second option is a full-time education and training option. This provides opportunities for individuals unemployed for two years or more to study for up to twelve months in full-time employment-related courses designed to reach an accredited qualification. Participants can remain on Jobseeker's Allowance but the "actively seeking work" condition for receipt of benefit is relaxed to allow a claimant to study full-time. As there is no guarantee of a place on any of the above options, benefits are not withdrawn for failure to take a place on a program. It is important to note here that the opportunity to stay on benefit while enrolled in a full-time education or training program is distinctly different than the program in the United States. In the U.S., although the broad eligibility requirements are set on the
federal level, the particular details of eligibility vary from state to state. In many states, however, being enrolled in an education or training program counts as being on assistance. Given the 5 year lifetime limits this has the effect of discouraging recipients from pursuing options to increase their education and thus employment capability and earning potential. The New Deal programs recognize the importance of education and training and in this respective provide an example of a superior program for the United States.

*New Deal for Lone Parents*

The New Deal for Lone Parents is similar to other New Deal programs with some minor changes to enable single parents with school age children to join the workforce. The program is administered by sending eligible lone parents a letter inviting them into the Job Centre. After an initial interview each parent develops an individual plan of action with the help of their personal caseworker on how they can develop their job search skills, training and find childcare to help them into work. This includes access to the range of Employment Service programs for the unemployed the eligibility rules of which were changed to allow access for lone parents who had been in receipt of benefit for less than six months. An incentive for lone parents to participate is created by providing those who take part in the New Deal with a fast track for help with Family Credit by the Benefits Agency and for child maintenance by the Child Support Agency. Ultimately, the New Deal for Lone Parents aims to reduce family poverty by enabling lone parents to join the workforce.

Through the combination of the unemployment insurance reforms, a change to tax credits, and redesigning social assistance programs to promote work, the Labour government has attempted to reduce individual reliance on the support of government by “making work pay.” Although this bears a striking resemblance to similar moves made by the Democratic Party in the United States under the leadership of “New Democrats” like Bill Clinton and Al Gore, there is an important difference – providing programs and opportunities for low-income persons to improve their skills and employment possibilities. Rather than being “kicked off the dole” the New Deal programs provide a number of education and employment
options that are not included in the US. Although the harshness of sanctions and time limits cannot be overstated, it is important to also recognize the some of the positive steps in Labour’s welfare to work programs. In addition to encouraging education and employment through social security programs, the Labour government has also undertaken reforms to the design of job-training and employment preparation programs in the United Kingdom. I turn now to an analysis of the new Work-Based Training Programs.

**Employment and Training Programs**

*Work Based Training for Adults:*

Throughout 1998-9 Work Based Training for Adults (WBTFA) will be replacing the Training for Work (TfW) program. The overall aim of the program is to help long-term unemployed adults, particularly those at risk of exclusion from the job market, to secure and sustain employment or self-employment through an individually tailored combination of guidance, structured work experience, training and approved qualifications. The program is open to people aged 25-63 who have been unemployed for six months or more although some groups of people can join earlier. Those joining work-based training for adults undergo an assessment and agree a training plan designed to help them obtain the skills needed to get a job. For those taking part, transitional support will be provided to improve the clients' prospects of sustained employment.

Within the overall aim, the key objective of WBTFA is to improve the employability of long-term unemployed people, and their chances of sustained employment through: a combination of enhanced pre-vocational and occupational training; employed status training additional to that which the employer would normally provide; occupational training which significantly improves skills in demand in the labor market; and promoting the use of lifelong learning facilities following their participation in the program. There is a greater emphasis on pre-vocational training (PVT) under WBTFA than under TfW. Training pilots carried out under TfW have been expanded under the new program after results from the pilots suggested they had been successful in assisting the most severely disadvantaged unemployed people.

---

Priority is given to people who are in need of pre-vocational training and this is planned to account for 33% of all starts on WBTFA in 1998/9 compared to only 17% of all TfW starts in 1997-8. In order to qualify as being in need of pre-vocational training, trainees need to have at least two of the following barriers to work: an erratic employment record resulting from inappropriate behavior, low self esteem/poor self presentation to the extent that it represents a significant barrier to entering or sustaining employment, low basic levels of basic skills, no significant experience of employment, a continuous period of unemployment of two years or more, or have never worked, a learning disability, a history of health problems or disability substantially affecting their employment prospects, a history of offending, or a significant history of alcohol/drug misuse. The next priority groups are people who have been referred from other programs including the New Deal for the Long-Term Unemployed and Jobplan, as well as people with disabilities.

Participants receive an allowance equal to their previous benefit entitlement plus an additional £10 (US $16) a week. In some cases, help with travel costs or the child care costs of lone parents is provided. Some participants (about 9%) have employed status and receive a wage from their employer. Local “providers”, who may be employers, voluntary organizations, further education colleges or specialist training organizations, provide the training. The providers operate under contracts with a local Training and Enterprise Council that are, in turn, under contract to the Government Offices of the Regions. Participants are assessed before entering the program and agree an individual training plan. This might specify training courses aimed at National Vocational Qualifications, short work preparation courses or job specific training with a local employer.

*Work Based Training for Young People*

Work Based Training for Young People (WBTFYP) is the main program for unemployed 16 and 17 year olds. WBTFYP covers National Traineeships, Modern Apprenticeships and other work based training. Generally, WBTFYP is designed for young people old enough to drop out but under 18, who are not in full time education or a job. Young people cannot remain on any form of WBTFYP beyond their 25th birthday. Unemployed 16 and 17 year olds are guaranteed a place, as are those who have reached the
age of 18 but have been unable to enter WBTFYP for the first time because of disability, ill health, pregnancy, custodial sentence, remand in custody, language difficulties or as a result of a care order.\footnote{Research Paper 98/11. December 7, 1998: p. 11} Provided all other eligibility conditions are met, young people may progress to WBTFYP from the Gateway stage of the New Deal.

Those enrolled in a training program qualify for an allowance of £30 (US $48) a week if they are 16 and £35 (US $56) a week if they are 17 or more. The rate for 16 year olds was increased from £29.50 a week in April 1997. The rate for 17 year olds has been £35 since April 1986. Training and Enterprise Council’s and providers can top up these allowances if they wish and help with travel, lodging or child care costs, but any such payments are entirely discretionary. Similarly, certain trainees may be eligible to have their allowance topped up by Income Support that will also have the effect of ensuring eligibility to other benefits. The Department for Employment and Education estimates that 67% of trainees were employed status in 1997-8 and therefore received a wage from their employer.\footnote{DfEE, Departmental Report 1998, p 72}

\textbf{Why “New” Labour?}

In May of 1997, the Labour Party, scored one of the most decisive electoral victories in of any party in modern democratic history. Labour won 418 seats to the Conservative Party’s 165, with a swing, even in some “safe” seats of between 14-18 percentage points. How was this possible? One strand of argument is that Tony Blair and ‘New Labour’ simply “out-Clinton” the Tories. By co-opting Tory programmatic philosophy and implementing it through mainstream public discourse better than the Conservatives, Labour was able to capture the center similar to Clinton’s electoral victories in 1992 and 1996.\footnote{See Harris, Michael. “New Labour: Government and Opposition,” Political Quarterly, Jan 1999 v70 i1 p52(1). And Hirst, Paul. “Miracle or Mirage?: The Thatcher Years 1979-1997” in From Blitz to Blair: A New History of Britain Since 1939. Ed. Nick Tiratsoo, London, Weidenfeld and Nicolson. 1997.} There is no doubt that under Tony Blair’s leadership Labour has moved toward the center and away from its socialist past; this is reflected in changes in both the party’s structure and ideology reflect such changes. The real question is, “Has Britain abandoned the liberal, collectivist, social security state,
and why?” I contend that Britain has not abandoned the liberal, collectivist, social security state, but that the rise of Labour reflects changes in the meanings of the terms “liberal,” “collective,” and “state.”

Unlike the pejorative sense that the term “liberal” arouses in contemporary United States politics, in the United Kingdom, liberalism from the time of John Locke and Adam Smith has always concentrated on limited government intervention, the development of individual talents, the pursuit of liberty and freedom, and a notion of the common good. Based on these ideas, ‘New Labour’ has extracted ideas concerning private choice, the enhancement of human capacities, the furtherance of legitimate individual interests, a respect for individual rights, and a concern with human well-being pursued in part by a welfare state but in the main through the exercise of personal responsibility, supported by “talent and ambition, aspiration and achievement.” The inclusion of these liberal notions is the basis for many of the critiques of ‘New Labour’ from both the right and left. Critics on the right, in many ways frustrated by Labour’s ability to steal “their ideas” and convert it into electoral success, charge that the liberal emphasis does not go far enough, that state intervention is still too extreme and that market forces and British businesses are hindered in the process. On the left, critics charge Labour with “abandoning” the disadvantaged and leaving them without protection from harsh market forces. While it is still too early to tell if either or both of these charges is true, the implementation of liberal components into a variety of policies, including welfare reform, is evident. Changes such as the addition of sanctions for failure to comply with new regulations and the need to sign a Jobseeker’s Agreement as part of the receiving benefits reflect the liberal emphasis on the rule of law and the idea of mutually beneficial contractarian relationships between state and individual. Not only do these changes signify a change “liberal” nature of the British welfare state, but the “collective” aspects as well.

Labour has redefined the term “collective” in a communitarian sense that combines both liberal and socialist ideology. The collective is viewed as an organization of individuals who are socially interdependent human beings, but cannot be dissociated from their society. For Labour this includes recognition of the “duties individuals owe to one another and to society, as well as a view of collective power whose aim is the pursuit of the good and interests of individuals, a formulation familiar to the new
lifers a century ago.” But as Freeden points out, this is also linked to a core set of beliefs including social justice, cohesion, the equal worth of each citizen, equality of opportunity. Thus, the rhetoric of the collective combines to words like “cooperation” and “mutual responsibility” with “fairness” and “individual initiative.” While this redefinition is, in parts, consistent with the “old Labour” ideology, its also deliberately different than the electorally unsuccessful ideology of the past.

At this juncture, the United Kingdom, more than any other nation in the world perhaps, must answer the question of “What is the role of the state?”. Labour’s success and the accompanying changes in a number of policy arenas, including welfare reform, are attributed to its definition of the role of the state. During the course of this century the role of the state in Britain has changed as the Empire has been torn asunder through war, decolonization, and devolution. Now with the emergence of the EU super-state, ‘New Labour’ has redefined the role of the nation-state from that of the dominant authority to one of many co-equal associations. As such, the role of the state and its policies are to bring together the many actors of society – business, labour, families, local communities, schools, etc – to enable them to work together cooperatively. In the area of welfare reform, we see this changing role of the state in the New Deal’s attempts to bring together employers and employees in a way that allows them to act together, rather than having the state interfere in place of one or the other.

For Labour the challenge that remains is whether or not there will be the political will to build and maintain the safety net. In the future, there are a number of issues that will test Labour’s commitment to modernization and maintaining the welfare state. From the right, Labour will be challenged to move more strongly to privatization and lift government restrictions on capital. However, the absence of a strong Conservative opposition provides Labour with more room to move on these issues. The void on the right enables Labour to effectively take the position that they are more responsible and more capable of governing, and thus, even if they are not the best option for business, their economic programs are

---

24 Freeden, Michael. “The Ideology of New Labour” Political Quarterly, Jan 1999 v70 i1 p42(1)
25 It should also be noted that part of Labour’s electoral success was due to the inability of the Conservatives to effectively and coherently articulate a role for the nation-state, particularly with regard to the issue of European integration and the monetary union.
better than the poorly articulated policies of the Conservatives. ‘New Labour’ faces challenges not only on the right, but on the left as well.

In addition to contentious debates over welfare reform there have been divisions among Labour on a number of issues including: revising Clause 4 of Labour’s platform pertaining to the connection to unions, the possible inclusion of Liberal Democrats in the cabinet, the reduced role for grassroots activists in the party, and the move toward proportional representation.26 The commitment of Labour’s leaders to the welfare state will be of vital importance toward maintaining peace and harmony within the party. Should the time come when Labour needs the support of the left, the commitment by the party’s leaders to the welfare state will be of critical importance. However, given Blair’s commanding majority he is able to the right without having to maintain party discipline, especially among backbenchers on the left.

In this light, I am unfortunately skeptical of ‘New Labour’s’ commitment to maintaining a strong, social security welfare state. The moves to proportional representation and “cohabitation” with the Liberal Democrats are reminiscent of 1931 when Labour Prime Minister Ramsay MacDonald crossed the aisle to form a national government with a handful of Tories and Liberals. Under Tony Blair’s leadership and an electoral system of proportional representation, a similar situation could occur if the free market reformers from each party join together. The result would surely be the abandonment of Labour’s traditional working class base, and the further erosion of the British welfare state. However, even if these radical steps are not taken I don’t see there being the political will within ‘New Labour’ to keep the commitment to the welfare state when times get tough. The only means to change this would be through the reemergence of strong ties to unions and the working class within the framework of Labour as well as the expansion of ‘Old Labour’ programs to the ‘New Labour’ constituency. This is not at all out of the question either. Many analysts believe that Labour’s victory was as much an endorsement of Labour as it was a rejection of the Tories.27 If the Conservatives were to mount a serious challenge to Labour, Labour

might be forced to turn to its base of support in order to secure victory. In an effort to preserve both the traditional base of support as well as new supporters, Labour might very well turn to the strategy implored by the Swedish Social Democrats back in the 1950s and 1960s – extend and universal the welfare state in order to create a feedback of support. Through this process, it might be possible to generate the political will necessary to maintain the welfare state. Ironically, under this scenario one of the crucial elements to maintaining the welfare state would be a revitalization of those who despise the welfare state.

Conclusion:

Understanding the changes in the terms “liberal,” “collective” and “state” is essential to understanding the changes that have taken place in the British welfare state. This understanding reveals a strong continuity between elements that were the basis for the British welfare state, but with a recognition of the historical changes that are occurring as technology and globalization create economic, social, and political environments that are dramatically different than those in which the welfare state was created. Labour’s turn toward the center can thus be attributed to changes in the political and economic environments, particularly in the wake of Thatcherism and the globalization of economic markets. In the United Kingdom there remains a broad universal commitment to insuring a minimum standard of living available to all British subjects through programs such as the National Health Insurance, but along with this commitment comes the expectation of responsible citizenship and a contribution to society through employment. This change in the social contract of public assistance is occurring not only in the United Kingdom, but also in the United States.
CHAPTER 4:

THE UNITED STATES
In *Equality and Efficiency*, economist Arthur Okun discusses the tradeoffs that must be made as part of a democratic capitalist society. Okun claims that amongst the tradeoffs that must be made, the biggest is between equality and efficiency. In describing how to reconcile this tradeoff, Okun writes,

If both equality and efficiency are valued, and neither takes absolute priority over the other, then, in places where they conflict, compromises ought to be struck. ... Any sacrifice of either has to be justified as a necessary means of obtaining more of the other (or possibly some other valued social good). In particular, social decisions that permit economic inequality must be justified as promoting economic efficiency.¹

Looking at the condition of the American welfare state entering the 21st century, Okun would discover increasing inequality but also remarkable efficiency. Many commentators describe the American economy as being “as good as it gets,” with continued low unemployment, low inflation, increasing productivity, and steady, but not robust, economic growth. But yet the rising inequality and disproportionate percentage of low-income persons compared with other industrialized nations, demand an assessment of the tradeoffs made by American policymakers.

The tradeoff between equality and efficiency is at the heart of the debate about the American welfare state. The terms “equality” and “efficiency” are often replaced with “income support” and “employment” but, the consequences and reasoning remain the same. In this chapter I examine the status of the American welfare state and the tradeoffs that have been made by American policymakers. My analysis begins by looking at the state of the poor in contemporary America. As I laid out in the introduction, public assistance programs are the means to solving the problem of economic poverty. Although Chapter One provides a comparative perspective regarding poverty, a more detailed discussion is warranted because of the unique characteristics of poverty in America. I then look back on the historical and political development of the American welfare state and how we arrived at the point we are at today. Following this brief review of “welfare as we knew it” I discuss the details of the recent welfare reform legislation along with an analysis of why the changes were made. One of the focuses of the
Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) was the idea of moving public assistance recipients off of government support and into employment so they would be able to support themselves. Thus, the next section of this chapter focuses on the area of employment and the possibilities for the poor to escape poverty through employment. In this section I review both the present labor market situation facing many of the poor as well as past and present efforts to improve employment possibilities and earnings through job-training programs, including the recent Workforce Investment Act. I conclude the chapter by bringing the recent changes together to examine the economic prospects facing the poor.

This review will demonstrate that the policies that make up the American welfare state have traded too much equality for the sake of efficiency (and a host of other reasons). In an effort to encourage employment regardless of its level of remuneration, the American welfare state has bound a section of the population to a life of destitution that is both economically unwise and morally unjust. However, as I will demonstrate in the next chapter, we are fortunate in that these mistakes can begin to be remedied through a number of policies that combine support for income and employment. Before turning to the remedies, however, it is important to understand the state of the poor in America today.

Poverty In America

I began this thesis with the idea that income poverty is a problem that all industrial democracies attempt to "solve" to one degree or another through public assistance programs. In fact, as Joel Handler writes, "The problems of welfare are, in reality, are the problems of poverty."² Thus in order to understand fully the ramifications of PRWORA, it is essential to examine the state of poverty in America. I have already talked about poverty in a comparative sense, but because the problems of poverty in America are deeper and more extreme than Sweden or Britain, it is important to take a closer look at the American poor. I begin with a discussion measuring "poverty" in the American context, and then begin to examine broader questions regarding poverty.

---

² Handler, Joel F. *The Poverty of Welfare Reform.* 1995: 39
In Chapter One I described various ways that poverty can be measured. In the United States, poverty is measured using an absolute definition. The government sets an income threshold based on family size and adjusted for inflation, anyone whose income falls below the line based on their demographic group is then considered to be in poverty. When it was first developed, the formulation of the poverty threshold incorporated the smallest amount of money that a household would need to spend on food in order to provide adequate nutrition based on information from the Department of Agriculture. To arrive at this definition, Mollie Orshansky, an economist in the Social Security Administration, multiplied this “thrift food budget” by three. (The multiplier three was chosen because when this formula was originally calculated the average American family spent about a third of its budget on food.) Since it was first created, the poverty line has been adjusted only for inflation. The poverty line in 1994 (about $15,100 for a family of four) amounted to the number of 1994 dollars necessary to achieve the same material standard that $2,700 achieved in 1955. The problem with this standard is that many of the expenses necessary for minimally decent living today were not part of the lives of many Americans in the early 1950s. Though food prices have not risen faster than the general rate of inflation, food today accounts for barely one-sixth of the average family budget, rather than one-third. If we reformulate the poverty line in the same manner as the Orshansky definition, differing only on the factor that we chose as our multiplier, the difference is astounding. Taking the Department of Agriculture’s thrifty food budget (presently, $4,576 for a family of four) and multiplying it by the proportion of the average family budget spent on food (about one-sixth), the poverty line in 1994 would be $27,456—not $15,100. However, even this amount would not have provided more than the barest necessities.

Being aware of how poverty is defined and measured, it is also important to understand the limits of the definition. It cannot give us any sense of the pain of being poor, nor can it provide any hints about how to alleviate poverty or how to assist those who are subjected to it to climb out of it. As John Schwarz points out, the result of using this faulty definition is that “whereas the poverty line originally measured

---

the poor, it has come to measure the very poor.”

According to the government’s figures there were 38 million poor people in the US in 1994. Using a modified definition of poverty the number would nearly double to 65 million Americans. Furthermore, as the international comparisons from Chapter One make clear, what is conventionally defined as the minimum level of existence in the U.S. is well below the minimum from other developed countries. In short, the current measure of poverty provides us with a false sense of economic security by concealing the reality that for many Americans the economic base necessary to support a family is vanishing. One of the first steps needed in reducing poverty in America is an improved definition of poverty, one that is more accurately reflective of the necessary minimum standard of living. It is not my intent in this section to prescribe what that measurement should be or how it would be determined; however the importance of taking this step should not be underestimated. Improving our standard of measurement concerning the portion of our population that is unable to participant fully in economic and social life in America is the first step in developing better and more effective solutions. Acknowledging the shortcomings of the present definition of poverty in the United States, it can nonetheless provide important insights into who the poor are, and what consequence poverty has on their lives.

No single description characterizes the poor. But one segment of the population that is disproportionately over-represented and unable to defend themselves are children. According to the Census Bureau, “more than one in five children (22.3 percent) was poor in an average month of 1993, compared with 12.0 percent of nonelderly adults and 10.2 percent of the elderly. The difference in chronic poverty between children and nonelderly adults was striking —8.3 percent versus 3.2 percent.”

Disproportionately, poverty affects the portion of the population that is least able to protect themselves.

In addition to examining poverty by age, race and employment are two other important characteristics of the poor. In terms of absolute numbers most of the poor are white. As Rebecca Blank writes, “Contrary to many people’s perceptions, less than half the poor (48 percent) are African American.

---

or Latino. Forty-eight percent are white, ... While blacks and Latinos are much more likely to live in poverty than whites, a much larger share of the population is white, meaning that almost half of the poor are non-Latino white. Blank makes an important distinction in the debate over poverty that is often lost – although blacks and Latinos are more likely to be poor, the majority of poor people are white. In many ways this reality stands in stark contrast to the media image that most often characterizes (and stigmatizes) poverty. The image of a single, black mother who does not work and lives in the ghetto is in reality only a very small section of the poor. Only 12 percent of the poor live in ghettos, and less than half of the poor are single parents.  

As for the employment characteristics of the poor, “unemployed people were more likely than other labor force groups to be poor. About 40.0 percent of the unemployed were poor in an average month of 1993, followed by 12.4 percent of part-time workers, and 3.8 percent of full-time workers.”  

Figure 4.1 demonstrates the connection between poverty and unemployment by examining the rates of change in

FIGURE 4.1: Changes in Poverty and Unemployment 1967-1996

---

both figures year by year. As it demonstrates, in years in which unemployment increased, poverty increased as well. Likewise, in those years in which unemployment was reduced, poverty declined also. Furthermore, although those who do not work are more likely to be poor, working families make up 44 percent of the poor two-parent families. Although I will later discuss the connection between jobs and poverty, what is most disturbing about these facts is the recognition that these families have, largely, done everything social norms require to get ahead, namely work for a living while taking care of your family, and still these individuals cannot seem to rise above poverty.

The fact that employment is no longer a guarantee of a minimum standard of living is one of the most disturbing problems with regard to poverty in America. And one of the primary focuses of the policy recommendation that concludes this paper is to solve this paradox and reward working families. However, this should not lead us to believe that poverty is simply a matter of limited income. Poverty is the result of other problems. When people are poor because they are too sick to work, it is their disability that prevents them from working. When people work but are still poor, they are poor because their wages are too low. When the unemployed are poor, the problem is that they cannot find work they are willing to take. When single mothers are poor, they may be poor because they are trying to balance two responsibilities – that of nurturing their child and providing for them – without outside support. When people are poor in downtrodden central cities, they may lack the education, the opportunity, or the vision to make it. Poverty is caused by more than simply the lack of income. It is the cumulative result of a variety of poor public policies that reinforce negative behaviors that in turn create further problems that require multiple solutions. Thus, part of the reason that the Swedish and British systems have lower poverty rates is because they have dealt with the problem of income poverty and the variety of problems that surround it through a number of programs including national health insurance and strong childcare policies. A review of the American welfare state demonstrates its evolution through targeted, piecemeal programs, rather than developing broadly and inclusively like Sweden or the United Kingdom.

The Development of the American Welfare State – Welfare as We Knew It

The Historical Development

A comprehensive review of the development of the American welfare state reveals that connection between work and a minimum standard of living has been part of the American welfare state from its inception. In a campaign speech to the Commonwealth Club Franklin Delano Roosevelt declared, “Our Government, formal and informal, political and economic, owes to everyone an avenue to possess himself of a potion of that plenty sufficient for his needs, through his own work.” For much of this century, policymakers have attempted to devise measures to provide a sufficient minimum for all working men and women; as well as attempting to strike a balance between providing aid and income supports and work incentives and employment opportunities for those who were unable to work. This was done by dividing the poor into “targeted” assistance programs that differentiated between the “deserving” and “undeserving” poor. Quite simply, groups of people who were not expected to work – the very young, the very young, the sick and the disabled, and those who cared for them – were provided with income assistance sufficient enough to provide for a minimum standard of living.

Beginning with the New Deal, the federal government took up the central role of providing public aid to the elderly, the disabled, and widows and their children. Over time, the “widows” program—Aid to Dependent Children (later Aid to Families with Dependent Children [AFDC])—became primarily a program for divorced, separated, and never-married mothers. And over time more women, including mothers, entered the labor force. Thus, a program designed for people who could not or “should” not work evolved into a program for individuals who were now expected to work. In the decades that would follow both federal and state governments struggled to balance two competing goals – the desire to

---

11 I do not agree with connecting poverty with the notion of desert. In my opinion, noone “deserves” to be poor. However, the term does highlight the moral distinction, dating all the way back to the Elizabethan era, between those who were poor through no fault of their own and those whose actions had caused their poverty. For a more detailed discussion see the Chapter One of Katz’s The Undeserving Poor.
provide families with adequate income and the desire to encourage gainful employment – within a framework designed for neither purpose.

The move toward the work began in 1967 when states began to require certain AFDC recipients to register with state employment offices as a condition of their payments. Congress took another step toward linking benefit receipt with work in 1981 when it allowed states (at their option) to mandate job training, job search, and other types of work-fare programs.\(^\text{12}\) Numerous states implemented narrowly focused work-requirement programs and by the mid-1980s some states became interested in running more extensive work programs for AFDC recipients, providing expanded job search and employment assistance and making efforts to include more recipients in the program. In 1988, Congress passed the Family Support Act (FSA) requiring all states establish mandatory work-welfare programs known as “Job Opportunities and Basic Skills Training” (JOBS). The purpose of the FSA was to replace the AFDC program with a new Family Support Program that emphasized work, child support and need-based family support supplements. With a greater emphasis on education and training, the FSA was designed to “encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependency.”\(^\text{13}\) Although states had substantial leeway in program design, there were certain elements – such as increased emphasis on training and education – common to all. JOBS also required states to provide child care subsidies and Medicaid eligibility to women for a year after they left AFDC for employment.\(^\text{14}\) Included in the bill was a provision that allowed states to file for “waivers” of certain federal requirements. The waiver provision allowed states like Wisconsin to experiment with harsher reforms, such as time limits and sanctions, in order to curb dependency and in doing so set the stage for the reforms of 1996.

In reviewing the historical development of the American welfare state it becomes clear that although the original intent of the major income support program was to support a section of the

\(^{12}\) It is worth noting however that the 1981 legislation rejected a proposal from President Reagan to mandate work-fare programs nationwide.

population that was not intended to work, four changes occurred that led to an erosion of support for the
benefit program. As Judith Gueron notes, these four changes were:

1. A dramatic increase in the employment of women.
2. The number of families receiving Aid to Families with Dependent Children (AFDC) grew to
   levels that far exceeded the expectations of the 1930s.
3. There was a striking increase in the number of single parent families and a fear that welfare was
   contributing to this.
4. Although most people stay on welfare for a relatively short time, approximately one quarter of
   those ever on AFDC will stay for 10 years or more. For them, welfare can become a way of
   life.\textsuperscript{15}

Before I move into a more thorough discussion of the changes brought about by the Personal
Responsibility and Work Opportunities Reconciliation Act (PRWORA), I believe it is important to have
an understanding not only of the functional and logistical background, but also the political developments
that led to the changes.

\textit{The Political Development}

Traditional welfare state programs are not as large in the United States as they are in other
nations. As Table 4.1 demonstrates, the U.S. has the lowest expenditure of any country, as a percentage
of GDP. Unlike Sweden and the United Kingdom, three-fourths of the expenditure for welfare state
programs comes in the form of in-kind programs. Furthermore, as Figure 4.2 demonstrates, all public
assistance programs combined occupy a smaller share of the total budget than would be thought of, given
how hotly the issues are debated. This is because, as Frances Fox Piven and Richard Cloward note,
“different societies enter industrial capitalism with different political institutions, which reflect different
patterns of political beliefs and organization, which in turn nourish different patterns of welfare state
politics. This political realm surely mediates and transforms the impact of industrial society in the
welfare state.”\textsuperscript{16} One explanation for the distinctive pattern of the American welfare state -- the narrower
reach of the social assistance programs, and the persistence of means-tested programs and lack of

\textsuperscript{14} Blank, Rebecca. “The Employment Strategy: Public Policies to Increase Work and Earnings” Danziger, Sheldon
TABLE 4.1 Expenditures for Health, Education and Social Welfare Among the Non-Aged as a Percentage of GDP in OECD Countries in 1987

<table>
<thead>
<tr>
<th>Country</th>
<th>In-Kind Education</th>
<th>Health</th>
<th>Cash Social Welfare</th>
<th>Total</th>
<th>In-Kind as a Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>4.9</td>
<td>5.5</td>
<td>3.3</td>
<td>13.7</td>
<td>75.9</td>
</tr>
<tr>
<td>Austria</td>
<td>5.9</td>
<td>5.6</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Belgium</td>
<td>5.2</td>
<td>6.2</td>
<td>10.0</td>
<td>21.2</td>
<td>47.2</td>
</tr>
<tr>
<td>Canada</td>
<td>6.9</td>
<td>6.5</td>
<td>6.7</td>
<td>20.1</td>
<td>66.7</td>
</tr>
<tr>
<td>Finland</td>
<td>5.8</td>
<td>5.8</td>
<td>13.1</td>
<td>24.7</td>
<td>47.0</td>
</tr>
<tr>
<td>France</td>
<td>5.4</td>
<td>6.5</td>
<td>8.7</td>
<td>20.6</td>
<td>57.8</td>
</tr>
<tr>
<td>Germany</td>
<td>4.0</td>
<td>6.4</td>
<td>8.1</td>
<td>18.5</td>
<td>56.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>6.2</td>
<td>6.5</td>
<td>8.6</td>
<td>21.3</td>
<td>59.6</td>
</tr>
<tr>
<td>Italy</td>
<td>4.4</td>
<td>5.7</td>
<td>3.5</td>
<td>13.6</td>
<td>74.2</td>
</tr>
<tr>
<td>Japan</td>
<td>4.5</td>
<td>4.9</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>NA</td>
<td>6.7</td>
<td>7.7</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.9</td>
<td>6.1</td>
<td>12.1</td>
<td>25.1</td>
<td>51.8</td>
</tr>
<tr>
<td>Norway</td>
<td>5.1</td>
<td>7.2</td>
<td>11.4</td>
<td>24.8</td>
<td>54.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.0</td>
<td>3.9</td>
<td>4.6</td>
<td>12.5</td>
<td>63.2</td>
</tr>
<tr>
<td>Spain</td>
<td>4.6</td>
<td>4.5</td>
<td>4.9</td>
<td>14.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.8</td>
<td>7.7</td>
<td>14.1</td>
<td>28.6</td>
<td>50.7</td>
</tr>
<tr>
<td>UK</td>
<td>4.9</td>
<td>5.2</td>
<td>7.7</td>
<td>17.8</td>
<td>56.7</td>
</tr>
<tr>
<td>US</td>
<td>4.8</td>
<td>4.7</td>
<td>3.5</td>
<td>13.0</td>
<td>73.0</td>
</tr>
</tbody>
</table>


FIGURE 4.2 Federal Government Spending on Social Programs as a Percentage of Total Budget

universal programs, an emphasis on the private sector, and the limited intervention of government in the face of market forces – can be found in the weakness of working class organizations in electoral politics. Although this idea has a number of variants, the thesis advanced by Piven and Cloward, and the one I adopt, begins with the premise that welfare state programs shape and are shaped by their constituencies. Quite simply, different programs shape different constituencies and encourage different political understandings of the meanings of the programs. Broad, inclusive, universal programs, such as those in Sweden and the U.K., develop large constituencies who organize and work to elect officials who will continue to provide them with the benefits these programs offer. Targeted and means-tested programs, on the other hand, that reach narrowly defined groups are more likely to create divisions. As Piven and Cloward note, “What is important about the formative influence of the welfare state is whether over time it shores up the solidarity of the working class, and creates allies for it in electoral politics, particularly among employees of the welfare state.”

Thus, labor parties and their union allies not only support the welfare state but also, as the dominance of the Social Democrats in Sweden demonstrates, the welfare state in turn can strengthen the working class in electoral politics. Conversely, the lack of broad welfare state programs can weaken the working class, as has occurred in the United States, and in doing so allowed potential working class movements to be co-opted or bought out by capital through individualized solutions. This is further complicated by the unique role that race and gender play in American politics. Racial antagonisms and stereotypical beliefs regarding proper gender roles have frequently been used to depict social assistance programs as only benefiting minorities and women, at the expense of white, male citizens.

In short, the public assistance programs that form the structure of the U.S. welfare state have had created a negative feedback effect. Unlike broad or universal programs that shore up political support among their beneficiaries thereby perpetuating the programs existence, the targeted and means-tested programs of the U.S. have divided recipients, and stigmatized them based on race and gender, hindering

---

the development of electoral or structural support. This also creates diverging views about the recipients themselves.

Programs that are broad and inclusive cultivate a vision of benefactors and beneficiaries as being one and the same. The idea that “we” are both giving and receiving benefits creates a feeling of solidarity among citizens which, in addition to providing a strong moral justification for support, protects and institutionalizes the system of assistance as a matter of right based membership in the state, club, or union organization. An example of this is the system of union-administered unemployment benefits in Sweden. Targeted programs, on the other hand, like those in the U.S. or the original Elizabethan poor laws, treat recipients as supplicants or paupers. This creates an “us” versus “them” mentality that weakens convictions about social rights by viewing the recipients as “the other” who violate social norms and values. Instead of viewing benefits as a matter of right, benefits are viewed as a “gift” given out of the generosity and benevolence of the benefactors. Deviance in the face of such charity is morally wrong and thus the benefactor is justified in imposing rules and punishments in accordance with the benefits provided.

Welfare state programs thus are dependent on not only the political development of the programs, but also the value-laden assumptions surrounding the recipients, the programs, and the social norms endorsed by those that support them. In his book When Work Disappears, William Julius Wilson discusses how much of the “abhorrent” behavior of the poor, particularly the urban poor, is highlighted and exacerbated by poverty and race. Wilson notes that although many of these behaviors are common in mainstream America, the deleterious situation caused by extreme poverty and the absence of employment magnifies both their causes and effects. In many ways, the reforms of 1996 should be viewed as motivated, in part, by a desire to condemn and change the deviant behavior of the poor. As we will see in the following review of the details of the Personal Responsibility and Work Opportunities Reconciliation Act, much of the focus is on condemning, punishing, or sanctioning what is viewed as “improper”

---

behavior among the poor. In order to understand this, it is necessary to look at the specific details of the legislation.

**The Personal Responsibility and Work Opportunity Reconciliation Act Of 1996 (PRWORA)**

On August 22, 1996 President Clinton signed into law "The Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104-193, hereafter PRWORA) a comprehensive bipartisan welfare reform plan that will dramatically change the nation's welfare system into one that requires work in exchange for time-limited assistance. One of the most important components, the devolution of power to the states, means that the future direction of welfare will be even more varied than in the past. So much will depend on local conditions-local economies, the politics of race, ethnicity, immigration, crime, substance abuse, "family values," and so on. In this section, I present a brief overview of the major changes brought on by PRWORA, especially the ones that either directly affect welfare or impact on the economic well-being of families. I have divided these changes into four main categories: (1) important changes in benefits and income support; (2) time limits and work requirements; (3) devolution to the states and locals; and (4) ending the entitlement to public assistance as a matter of citizenship rights. Although there is a great deal of overlap among these categories, this division is useful for understanding the major provisions and the reasons why the legislation was enacted.

*Important Changes in Benefits and Income Support*

The PRWORA makes a number of important changes to a number of the most important anti-poverty benefits including AFDC, Medicaid, Supplemental Security Income (SSI) and Food Stamps. The first, and most dramatic, of these changes is the abolishment of AFDC, the Job Opportunities and Basic Skills (JOBS) program, and the emergency assistance program and replacement of them with the Temporary Assistance for Needy Families (TANF) program. Federal funding for these programs is consolidated into one TANF block grant for each state. Basically, the block grant is calculated on the basis of the state's AFDC caseload in 1994. There are two sets of time limits. There is a cumulative five-year limit on cash assistance (with limited exceptions for no more than 20 percent of the caseload). Adults are expected to participate in work activities after receiving assistance for two years. States must meet a
minimum participation rate for single-parent families that increases from 25 percent in 1997 to 50 percent by 2002. Work participation rates are higher for two-parent families. States are required to reduce grant amounts for recipients who refuse to participate in work or work activities. States have the option to exempt parents with a child under age one for one-year. These welfare-to-work requirements are to be enforced by funding cuts in the block grants.

In particular, TANF prohibits the use of federal funds for parents under eighteen years of age who are not in school or other specified educational activities or living in an adult-supervised setting. To reinforce the emphasis on moving off assistance, but not necessarily into work, states are required to reduce a family’s grant by 25 percent for a variety of measures, including failure to cooperate (without good cause) with efforts to establish paternity. States may eliminate cash assistance to families altogether, or provide any mix of cash or in-kind benefits they choose. They can deny aid to all teen parents or other selected groups; deny aid to children born to parents receiving aid; or establish their own or lower time limits for receipt of aid. States can provide newcomers benefits at the level they would have received in their former states for up to one year. Furthermore, states may choose to deny cash assistance for life to persons convicted of a drug-related felony after August 1996 (pregnant women and individuals participating satisfactorily in rehabilitation programs are exempted). Make no mistake about it, these changes are dramatically different. The Family Support Act emphasized work through a variety of carrot and stick measures; PRWORA removes all carrots and increases the size of the stick.

In addition to changes in cash assistance, the primary source of health care for the poor, Medicaid, is also significantly different. Although the basic funding and financial eligibility structure of Medicaid remains intact, TANF families will no longer be automatically eligible; they will have to apply separately for Medicaid. There are both positive and negative consequences to this action. On the positive side, uncoupling health care and cash assistance means that families no longer have to make the choice between working with no health benefits or staying on public assistance in order to stay healthy. In the past, this was one of the strongest disincentives to work for many single-parents whose only available options for employment frequently did not provide health benefits. Removing this barrier to
work should help to move some people who would have otherwise not entered the labor market find employment. However, the challenge is to effectively communicate this change. Undoubtedly some people will assume that enrolling in Medicaid counts against them in terms of time on assistance and thus some percentage will not enroll. The true test of the changes to Medicaid will only be known some years down the line after the time limits begin to take effect. Hopefully, people who are not receiving TANF assistance will continue to participate in Medicaid, if they are eligible. However, the full extent will of the changes will never be known because it is impossible to measure the number of people who could have but did not enroll in Medicaid because they felt it would reduce their time on assistance. The difficulties associated with this highlight the need for a new program to address the changed relationship between public assistance benefits, employment, and health insurance.

Changes to the Supplemental Security Income (SSI) program are also substantial, particularly for children. The most important is the change in the definition of disability for children is substantially narrowed. Handler and Hasenfeld estimate that more 300,000 children could be denied benefits by 2002. A prior law denies eligibility to recipients whose primary disability is alcohol and/or substance abuse. Current cases are to be redetermined; benefits for those found to be ineligible were denied beginning July 1, 1997. Recipients incarcerated for more than thirty days are denied eligibility.

The final area of change is food stamps. Food stamp benefits are to be reduced in a number of ways. First, the formula for calculating families’ eligibility is tightened by including a cap on the deduction for housing costs at 50 percent of income. Second, the maximum benefit level will be reduced by 3 percent across the board. Third, childless able-bodied adults will be limited to benefits for three months within every three-year period, unless they are working or in training more than twenty hours per week.

What is most surprising about the above changes is the lack of a connection to employment. The rhetoric of reform was primarily based on the idea that the poor should work for their benefits. As difficult an idea as that may be for liberals and progressives to swallow, it is easier to justify then simply
cutting benefits without making those cuts tied to work. But in every program described above dramatic reductions were made in each program without these reductions being, in some way, connected to work. Instead, they are connected to broader, ideological beliefs regarding acceptable social behavior. Take for instance, the idea that a parent (and in turn, the child) can be punished for failing to comply with rules regarding the determination of the father. How is paternity connected to employment? It's not. And to attempt to explain otherwise reveal the puritanical convictions that motivated the reforms. In this light, these changes in benefits under PRWORA should be seen for what they really are; not an effort to encourage work, but a way to condemn and punish the poor for violating traditional social norms.

*Time Limits and Work Requirements*

The attempts to punish the poor did not end with reduced benefits; in fact, these cuts are just the tip of the iceberg. Perhaps the most significant difference between TANF and AFDC is the lifetime time limit on the receipt of federal cash assistance. Under TANF, there are two sets of time limits. The first is the two-year time limit. Starting in fiscal year (FY) 1997, a quarter of each state's recipients must participate in "work activities"; the percentage of the caseload increases annually to 50 percent by FY 2002. A state risks a penalty for failure to meet the annual rate. In order to encourage this not only at the state level but also the individual, federal law provides that TANF recipients who fails to comply with a work requirement can be sanctioned and their benefits reduced. Second, recognizing that many welfare recipients cycle on and off welfare, there is a cumulative lifetime five-year limit on welfare. All states, however, are allowed to provide hardship exemptions for up to 20 percent of their TANF caseloads. These exemptions usually cover domestic violence victims, the aged, and the disabled.

As states have begun to implement these requirements differences in time limits and work requirements among states are beginning to appear. Some states have decided to use state funds to provide aid to families that have exceeded the federal lifetime 60-month limit, other states are prepared to impose time limits. Some states, such as Florida, have opted for a more stringent lifetime limit (48 months), and some states, such as Massachusetts, have elected to impose intermittent time limits (60

---

19 Handler and Hasenfeld. *We the Poor People*. 1997: 207.
months total but no more than 24 months in any 60-month period. California will impose its time limit on parents but not on children. TANF grants are calculated based on family size. Exceeding the time limit will result in the parent not being included in the TANF unit, thus the TANF grant will be reduced, but not totally eliminated because the children in the family will still receive aid.

Time-limited welfare addresses the primary deviant behavior among the poor – the perceived lack of work ethic on the part of welfare recipients. Recipients of public assistance will no longer be allowed to live the parasitic lifestyle of the "welfare queen" who collects money for doing nothing and lives of the labor of others. Instead, dependency will be curbed and importance of working for a living is emphasized through strict limits on the benefits that people receive. Other aspects of welfare reform speak to different socially unacceptable behaviors. For example, unless states specifically opt out, they cannot provide aid to children who were conceived while the mother was on welfare (called the "family cap") or to minor parents unless they are attending school (called "learnfare") and living at home. And as noted earlier, states cannot provide assistance if the family does not cooperate in the establishment of paternity and obtaining child support.

Devolution to the States

Through the Family Support Act states had begun to experiment with new approaches to public assistance while Bill Clinton was still a governor. With encouragement, support, and cooperation from the Clinton Administration, 43 states have moved forward with 78 welfare reform experiments. The Clinton Administration has also required teen mothers to stay in school, required federal employees to pay their child support, and cracked down on people who owe child support and cross state lines. Some of these efforts have been positive, for example as a result of these efforts child support collections have increased by nearly 50% to $11.8 billion in FY 1996, and there are 1.9 million fewer people on public assistance today then there were seven years ago. By changing the financing of benefits to block grants, the efforts of states to experiment and differences in state policies will be greater under PRWORA.

In general, a state will receive the TANF grant, based on a formula, when the Department of Health and Human Services approves the state plan. In return, the states are required to meet a basic
maintenance of effort, which is no less than 80 percent of a "historic spending level." The block grant provision allows states to easily reduce the amount of money they spend on welfare or shift funds to other programs. Even though there are federal restrictions, the block grants will allow the states to manage welfare free from federal interference. Although the states have always had a great deal of control over AFDC, including the all-important benefit levels, the block grants significantly increase state authority.

Given the block grant structure of TANF, states have two decisions to make. First states must decide how much money they will provide to a family with no other income. The lower the maximum welfare benefit payment, the less attractive welfare is as an option and the greater the incentive to work. Next, states must decide how benefits are reduced as income increases. In general, this has two components: the earnings disregard and the benefit reduction rate (BRR). The earnings disregard is simply the amount of money a family can earn and still keep its full benefit. The BRR is the rate at which benefits are reduced as earnings rise above the earnings disregard. Under AFDC, states were free to set benefit levels, but unless the state had a federal waiver of these provisions, the earnings disregard was set at $120 per month and the BRR was 67 percent. States are now free to change the earnings disregard and BRR.

Furthermore, as demonstrated in the section on time limits and work requirements, states can affect the attractiveness of work through a variety of other program rules. They can impose strict work requirements on TANF recipients and levy tough sanctions (reduced benefits) on those who do not comply with the requirements. Alternatively, they can make work more attractive by providing child care and other services to families working their way off welfare. Finally, states can decide how and when to impose time limits. While only a limited number of families can receive TANF benefits for more than 60 months, states can choose to use state funds to aid long-term dependent families. Alternatively, states can set more stringent time limits, as states like Michigan have done.

Finally, it is important to make the distinction between devolution to the states and the final piece of the reforms — ending the entitlement. Although because of the structure of the PRWORA devolution and the time-limits effectively end the entitlement, devolution by itself does not necessarily have to be
accompanied by removing the right to public assistance. In fact, the previous experiments on the state level demonstrate that states can have a high degree of flexibility and still maintain the commitment to guarantee a sufficient minimum standard of living. Devolution to state and local governments can be an effective way to administer the public benefit program. One fear however is that in the era of devolution there will be a race to the bottom as states cut their benefits in order to appear less attractive to the poor. While some states have engaged in this practice, it is not the race to the bottom that concerns me because the race is over. The federal law provides benefits that are so low, and allows states to go lower, that essentially the poor are competing for table scraps. In short, the problem with devolution under the PRWORA is that the benefits still do not provide enough to escape poverty and are no longer guaranteed as a right of citizenship.

*The End of an Entitlement to Assistance*

While the moralistic nature of the sanctions, requirements, and punishments contained in the PRWORA are disturbing, the most significant change is the end of the "entitlement status" of public assistance. This is achieved by folding TANF and several other programs into block grants for the states. Through the block grants, states are allowed to limit recipient’s benefits to 60 months over a person’s lifetime. Although the previous section discussed devolution in more detail, the point here is that under the block grant system individuals no longer will receive assistance as a right of citizenship. Through devolution states are free to determine which families receive assistance, how much, and under what circumstances; if a state runs out of funds, applicants can be placed on waiting lists or rejected. In other words, there no longer is a guarantee of aid.

This is the most significant change in the American welfare state because it signals the end of a formal commitment by society and government to guarantee a minimum level of existence to all citizens. The previous social contract that existed between citizens and their government, and among the citizenry, has been torn apart through this change. In terms of justice, the end of the entitlement goes against any notion of mutual obligations or communal provision. Rooted in the notion that a minimum standard of living is a right of all citizens based on their membership in the political community, justice is impossible
when the entitlement to benefits no longer exists. Although the articulated rationale for this change was the desire to send the message that recipients can no longer be dependent on government and their fellow citizens for support, the real message sent by the law is that the poor and the oppressed should not depend on government or their fellow citizens for justice.

**PRWORA: A Review**

These four areas of change—changes in benefits, time limits and work requirements, the end of the entitlement, and devolution to the states—dramatically change the structure of welfare. Although these changes are in many ways consistent with the historical and political development of the welfare state, this isn’t likely to make the effects of the changes less severe nor does it provide an appropriate justification for what is ultimately an unjust system. This is not to defend the previous system. Critics who charge AFDC and JOBS with failing to provide people with incentives for employment and encouraging dependency are exactly right in their criticisms. I freely admit that there were significant shortcomings in the previous system. But in many ways the PRWORA is no better. Although it removes many of the disincentives to work, it does not adequately provide states or individuals on assistance with the tools they need to move into work and out of poverty. Because of its punitive nature it is not a surprise that early studies indicate massive reductions in the numbers of people enrolled in public assistance programs. But having individuals move off public assistance by itself is not enough, such a move must be accompanied by a transition to gainful employment. The PRWORA fails to provide the proper tools for this result to occur. The block grants total $16.4 billion annually for the country, with no new funding for jobs and training and placement efforts, which are in fact very expensive activities to carry out. Thus states will soon have to choose between benefits and job-related activities, with the very real possibility that they will run out of federal money before the end of a given year. In short, although reform was ushered in under the banner of moving recipients “from welfare to work”, the reforms that were passed go to great lengths to sanction and punish recipients, but do little to improve their welfare by failing to provide opportunities to become self-sufficient through work.
It is worth noting that the PRWORA was not intended to be the end of reforms to public assistance, merely the beginning as states and counties implemented their own programs. The reforms continued into 1998 with the passage of the Workforce Investment Act, the most substantive overhaul to employment and training programs in over in over a decade. In order to get the complete picture of the transition from “welfare to work” it is also important to review both the present labor market situation facing the poor and the prospects of escaping poverty through employment.

**Improving the Labor Market Prospects of the Poor: Job Training Programs and The Workforce Investment Act Of 1998**

As was discussed earlier, the idea of linking public assistance and employment is not new. Nor is the idea of government serving as an intermediary to connect potential employees and employers. The first major training program enacted in the post—World War II era was the Manpower Development Training Act (MDTA), which began in 1962 as a classroom training program aimed initially at unemployed skilled workers. MDTA evolved into a program focused on less skilled and minority workers and also came to include programs aimed at disadvantaged youth. MDTA was replaced by the Comprehensive Employment and Training Act in 1973. CETA was designed to provide on-the-job training for less-skilled workers. It also funded temporary public sector jobs, in the hope that workers would use these as a springboard to private sector employment. At its height in 1977-1978, CETA placed over 1 million people in public sector jobs and provided some of training and assistance to another 1.3 million disadvantaged workers.

CETA was terminated in 1982 and replaced with the Job Training Partnership Act. Like CETA, JTPA was designed to offer job training and search assistance to disadvantaged workers, but had less funding and fewer placements. JTPA programs differed from those of CETA in at least two major ways. First, JTPA provided no funds for public sector job creation. It placed participants in private sector jobs, on the theory that these jobs offer better opportunities for long-term labor market involvement. Second, JTPA was run not by local governments but by local “private industry councils” (PICS). These councils, composed of representatives from the local private sector, determined what types of training and job
placement would be most beneficial to participants and local employers alike. One of the benefits of this system was that because PICs had a great deal of discretion in the structure of their program, JTPA programs were quite different across locations. This allowed programs to be tailored to fit the specific labor market needs of the community. While the federal government provided much of the funding, in each city or region private businesspeople worked with officials to identify labor market needs and set up training opportunities. While in some cases private companies actually ran subsidized training programs, in most cases training programs were contracted out to local community colleges or other educational organizations. Some places had a wide variety of potential training programs, while in other cities choices may be limited to one or two options. The problem with the JTPA programs was that they provided relatively limited services for a small number of people. As Rebecca Blank notes, this was due partly to the fact that JTPA services were not widely advertised in many communities and partly because the funding for JTPA was limited and could not accommodate many more participants.\footnote{Blank, Rebecca. \textit{It Takes A Nation}. 1997: 118}

\textit{The Workforce Investment Act of 1998}

On August 7, 1998, President Clinton signed into law the Workforce Investment Act of 1998 (Public Law 105-220, hereafter referred to as “WIA”). WIA was the first significant job-training legislation since the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 and serves to replace the previous federal job-training legislation, the Job Training Partnership Act. WIA provides the framework for a national workforce preparation and employment system designed to meet both the needs of the nation’s businesses and the seekers and those who want to further their careers. I will provide a brief overview of WIA, its major components, and the differences between WIA and JTPA.

An Overview of WIA

WIA was designed with the intent of preserving the most successful elements of the JTPA but is radically different in that its key elements are based on local and state input. WIA is premised on five fundamental beliefs. They are:
• The needs of job training and employment programs must be designed and managed at the local level where the needs of businesses and individuals are best understood.

• Clients must be able to conveniently access the employment, education, training, and information services they need at a single location in their neighborhoods ("One-Stop Career Centers).

• Clients should have choices in deciding the training program that best fits their needs and the organizations that will provide that service. They should have control over their own career development.

• Clients have a right to information about how well training providers succeed in preparing people for jobs. Training providers will provide information on their success rates.

• Businesses will provide information, leadership, and play an active role in ensuring that the system prepares people for current and future jobs.²¹

Similar to the PRWORA, several features of WIA reflect the recent efforts of the Congress to devolve power to the states and local governments, as well as providing "flexibility" in public/private partnerships. These new features include state and local workforce investment boards, local youth councils, and long-term state strategic planning. Each state will establish both state and local workforce investment boards. The state board will help the Governor develop a five-year strategic plan describing statewide workforce development activities, explaining how the requirements of the Act will be implemented, and outlining how special population groups will be served. Local workforce investment boards, in partnership with local elected officials, will plan and oversee the local system. Local plans will be submitted for the Governor's approval. Local boards designate "One-Stop" operators and identify providers of training services, monitor system performance against established performance measures, negotiate local performance measures with the state board and the Governor, and help develop the labor market information system.

While WIA decentralizes power through state and local governments, one of the most important changes from JTPA is the consolidation of information in one location through the “One-Stop” system. The "One-Stop" system is based on the concept that information about and access to a wide array of job training, education, and employment services should be available for customers at a single neighborhood location. Unlike previous legislation that awarded grants for “One-Stop” centers but provided no statutory requirements, WIA mandates the creation of “One-Stop” centers for the delivery of information and services related to employment and job-training. At the “One-Stop” centers customers will be able to easily: receive a preliminary assessment of their skill levels, aptitudes, abilities, and support service needs; obtain information on a full array of employment-related services, including information about local education and training service providers; receive help filing claims for unemployment insurance and evaluating eligibility for job training and education programs or student financial aid; obtain job search and placement assistance, and receive career counseling; and, have access to up-to-date labor market information which identifies job vacancies, skills necessary for in-demand jobs, and provides information about local, regional and national employment trends. Furthermore, the “One-Stop” systems is designed so that employers will have a single point of contact to provide information about current and future skills needed by their workers and to list job openings. Just as workers will benefit from a single system for finding employment and training opportunities, employers benefit by finding job-ready skilled workers who meet their needs.

One of the major failings of the JTPA was the lack of accountability to individual customers, leading to poor training experiences or training for jobs that were not viable within the local labor market. To compensate for this, individuals receive and Individual Training Account (ITA) and are free to choose the services they require. This emphasis on customer choice will in turn force states, local areas, and providers of those services to be more accountable for meeting those needs. To facilitate this, WIA mandates the collection and distribution of information relating to each employment service option. For adults and "dislocated" workers (such as those who lose their jobs because of permanent layoffs or plant closings), information relating to the rates of entry into unsubsidized employment, job retention, post-
placement earnings, and acquired education and skill standards for those who obtain employment will be established. Measures for older youth (19-21) will also include the attainment of a high school diploma (or its equivalent) for those who enter postsecondary education or advanced training as well as for those who get jobs. Measures for younger youth (14-18) will include rates of basic skills and work readiness or occupational skills attainment, attainment of high school diplomas (or the equivalent), and placement and retention in postsecondary education, advanced occupational training, apprenticeships, the military or employment. These measures apply to both statewide and local performance.

Measures will also be established relating to customer satisfaction of both participants and employers. WIA requires training providers to meet certain requirements in order to receive adult or dislocated worker funds. There are separate requirements for initial eligibility and for subsequently maintaining eligibility to receive funds. Training providers will be held accountable for completion rates, the percentage of participants who obtain unsubsidized jobs, and for their wages at placement. Training providers must also provide information about the cost of their programs. This information will all be readily available to customers through their local “One-Stop” center.

WIA specifies three categories of people who will receive services under the Act: adults, dislocated workers, and youth. Although One-Stop centers will be different based on the regional differences, each one will offer those services for adults and dislocated workers needed to determine which training program and training providers fit their needs. WIA authorizes "core" services (which will be available to all adults with no eligibility requirements), and "intensive" services for unemployed individuals who are not able to find jobs through core services alone. In some cases the intensive services will also be available to employed workers who need more help to find or keep a job. While the services for adults and dislocated workers may be the same, there is a separate funding stream for dislocated workers. Core services include: job search and placement assistance (including career counseling); labor market information (which identifies job vacancies; skills needed for in-demand jobs; and local, regional and national employment trends); initial assessment of skills and needs; information about available services; and some follow-up services to help customers keep their jobs once they are placed.
Intensive services will include more comprehensive assessments, development of individual employment plans, group and individual counseling, case management, and short-term pre-vocational services. In cases where qualified customers receive intensive services, and are still not able to find jobs, they may receive training services that are directly linked to job opportunities in their local area. These services may include occupational skills training, on-the-job training, entrepreneurial training, skill upgrading, job readiness training, and adult education and literacy activities in conjunction with other training. If adult funds are limited in an area, recipients of public assistance and low-income clients will be given priority for services. WIA also authorizes the provision of supportive services (e.g., transportation) to assist participants receiving the other services and the provision of temporary income support to enable participants to remain in training.

*WIA, Job-Training and the Possibilities of Reducing Poverty through Employment*

Although the Workforce Investment Act is only in the initial stages of implementation, we can speculate about what the outcomes might be as far as improving the employment prospects of low-income people and reducing poverty. There is now overwhelming evidence from a substantial number of reliable studies that employment-directed services and mandates for single mothers on public assistance can be implemented effectively and can be successful in encouraging work and self-support. Table 4.1 highlights some of the key findings from studies conducted during the 1980s and 1990s, but I will discuss three important findings in particular.

First, even rather minimal efforts at job search assistance seemed to produce employment and income gains among female AFDC recipients. These effects persist at least over a three-year period following the program. The group that benefits the most from these programs appears to be women who are neither the most nor the least disadvantaged. Among the least disadvantaged AFDC recipients, many find jobs and leave welfare on their own, so these programs provided little additional help. Among the most disadvantaged AFDC recipients, these programs appear to be too brief and limited to address the multiple problems many of these women face. But the middle group – those with some work experience,
TABLE 4.1: Key Findings from Studies of Different 1980s Welfare-to-Work Programs

Short-term, low-cost job search and work experience programs, with varied levels of sanctioning
• Feasible to operate on a large scale with substantial participation
• Modest earnings impacts
• Modest welfare savings
• Impacts sustained during a 3-year follow-up
• Rapid payoff – relatively large welfare savings per dollar spent

But:
• More people got jobs, not “better” jobs
• Modest increase in total income; many remained in poverty and on welfare
• No consistent earnings impacts among more disadvantaged persons

Baltimore “Options”: somewhat more intensive and expensive; job search, work experience, and education and training; choices of services; little or no sanctioning
• Somewhat larger earnings impacts
• Earnings impacts increased over time
• Some evidence that people got better jobs
• But no welfare savings

San Diego “SWIM”: somewhat more intensive and expensive; sequence of job search and work experience followed by education and training; relatively high levels of sanctioning
• Among highest impacts on employment, earnings, and welfare payments
• Large earnings impacts and welfare savings for more disadvantaged
• Effective for men


with acceptable literacy skills, but who have often been out of the labor market for a while – benefit from the extra support which these programs provide to help them get jobs.22

Second, the benefit-cost evaluations indicated that the returns from the programs were greater than the costs from a government budget perspective. Benefit cost evaluations typically indicate that the returns from these programs are greater than the costs to the government budget. Studies involving 100,000 people in 21 states—mostly of WIN programs, but with early results in from California’s JOBS program—show unequivocally that states and counties can implement effective, large-scale programs and that different approaches can be double winners: producing increases in employment and reductions in welfare receipt. Some proved to be highly cost-effective—that is, they were an investment with a clear and rapid payoff, returning to taxpayers close to $3 per $1 invested and reducing welfare costs for the

22 Blank, Rebecca. It Takes A Nation. 1997: 175. See also, Gueron and Pauly, 1991, table 1.1, app. Table B
mandated group by as much as 19%. The costs of running the program are more than recovered through decreases in AFDC payments as women work more. In this sense, these programs pay for themselves over the long run, although they may involve more money at the beginning to set up the program.

Third, although the results indicate a clear return to running these programs, average income gains are relatively low in absolute terms. The increase in earnings for program participants was significant, but it was on the order of $150 to $600 per year in most states. Almost all of these gains occurred because of increases in work hours rather than in wage rates. Thus, none of these programs provided a total solution to poverty and need among female-headed households. They improved women's labor market involvement, decreased women's reliance on welfare, and created small increases in total family income. There is no evidence that these programs move many families out of poverty.

The conclusion from these welfare-to-work programs is clear: they are effective at increasing work effort among women and they more than pay for themselves, but by themselves they are not likely to assist many women out of poverty. Despite widespread proposals to increase job training for low-income and less-skilled workers, this is not a simple answer to poverty. For less-skilled men, we have less knowledge about how to run successful job training programs than we should. For less-skilled women, we are able to help them find jobs more readily, but because of the limits on the type of job they can get and their own time constraints (particularly as single parents), the new work typically provides only limited increases in their income.

The evidence that welfare-to-work programs increase work but do not seem to reduce poverty is not surprising, given economic developments in this country during the last 20 years. In order for single mothers to earn their way out of poverty, they must work full-time and have access to jobs paying above-poverty wages. As noted earlier, minimum-wage jobs no longer provide this. The structural transformation in the economy, reflected in the recent slow productivity growth and stagnant or declining

---

24 Gueron, Judith, and Marc Pauly. 1991. Appendix Table A-1
wages for low-skilled persons, puts a brake on the potential achievements of welfare-to-work programs. Unless the education component in WIA makes a much greater difference in earnings than similar programs under JOBS and JTPA, we may continue to increase work effort while not at the same time achieving a decline in poverty. This situation may be further complicated by the fact that many states are including time in training or an education program as being time on assistance. As Paul Street points out,

Despite research showing that an overwhelming majority of recipients who earn post-secondary degrees become financially independent and that those who complete any post-secondary education have a far greater capacity to get and hold a job than those with no higher instruction, states are forcing recipients one or two semesters away from completing training for useful and relatively remunerative jobs like surgical assistant to drop out and take dead end, low-paying positions as sales clerks, fast-food cooks, and telephone receptionists.26

This disincentive to higher education could also have damaging consequences on the future earning potential of many current recipients. Rather than solidifying the rungs on the ladder of upward mobility, by restricting access to higher education for public assistance recipients, these states are confining people to a life of poverty.

What is clear is that job search and job-training programs are an integral piece of any antipoverty strategy, although they are not a complete solution to poverty. Combining cash assistance and job programs is a good way to address the inherent limits of each type of program alone: cash assistance provides support for those whose earnings are inadequate or who find themselves in unstable jobs that end unpredictably. Job programs keep pushing those receiving cash assistance to get back into the labor market and try again. Together these two approached complement and reinforce each other and improve the prospects of achieving both self-sufficiency and an adequate minimum standard of living for thousands of Americans.

Conclusion: The Prospects of Reducing Poverty Through Employment

The Employment Act of 1946 which set up the Council of Economic Advisers and mandated the President submit an annual economic report, also sets forward a national policy on employment. The Act states,
The Congress declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

Although employment is important in many ways it is a critical part of any program to end income poverty. As economist Arthur Okun notes, “The concern about work incentives and the work ethic makes sense only when it is accompanied by work opportunities. For those at the low end of the income scale, the Employment Act’s pledge to provide “useful employment opportunities ... for those able, willing, and seeking to work” must be redeemed in concrete terms.” Job placement, apprenticeships and training, and employer-of-last-resort programs could be packaged together to guarantee employment opportunities that are the first step out of poverty. The next step is ensuring that once the employment opportunities are available, they are coupled with wages or subsidies that ensure an adequate standard of living.

Recently, a growing number of positions for less-skilled workers are “bad jobs” – paying low wages, offering few nonwage benefits, and providing few opportunities for training or long-term economic advancement. If this is true, the opportunities for poor families to earn their way out of poverty may have diminished even though jobs are available. This wage decline is not the result of the shift of low-skill jobs from the manufacturing sector to the service sector. Real wages have declined for both manufacturing jobs and service sector jobs, so that even less-skilled workers who find jobs in manufacturing industries in the 1990s face reduced wage opportunities.  

In the manufacturing sector, the demand for less-skilled workers appears to be declining faster than the number of less-skilled workers, and their wages are therefore drawn downward. This trend is related to the increasing internationalization of the U.S. economy, which places less-skilled U.S. workers

in competition with less-skilled (and typically lower-paid) foreign workers. The decline in manufacturing jobs and the rise in service sector employment is also connected to technological changes that have accelerated the demand for more-skilled workers. Declining unionization has also hurt the wages of less-skilled workers.

With the decline in real wages, the poverty rate of full-time workers is increasing. In 1992, 18 percent of full-time workers earned less than the poverty line, which is a 50 percent increase over the past thirteen years. The poverty rate of full-time workers increased for both men and women but was particularly steep for those without a high school degree. For men without a high school degree, the poverty rate rose from 15 percent in 1979 to 32 percent in 1992-and this is for full-time workers. It is not surprising that over the past two decades, there has been a steady decline in work among men in families in the bottom fifth of the income distribution (earning less than $12,497 in 1989). Although the expansion of low-wage (below poverty-level) jobs affected all workers, it was greatest for minorities. Between 1979 and 1987, the proportion of African Americans in these jobs increased from 33.9 to 40.6 percent, for Latinos from 31.7 to 42.1 percent, and for whites from 24.3 to 29.3 percent.²⁹

As a result of these trends, it has become harder for many low-income families to escape poverty through employment. The high poverty rates of the last decade are in fact closely related to wage changes among less-skilled workers. As wages among many less-skilled workers fall, it is hard to provide employment incentives without somehow addressing the problem of declining real wages. In addition, as increasing numbers of poor families are headed by single parents, it is less clear that more time in the labor market is always to the advantage of the family, particularly if affordable, effective child care is not available.

Given the recent changes in public assistance and the reality of the labor market prospects of the poor, the issue that must now be addressed is the type of jobs that are available and whether these jobs pay enough to allow a full-time worker's family to escape from poverty. The relatively small earnings gains among women in even the most successful work-welfare programs are an indication of the low
earnings opportunities available to many less-skilled women. The declining wages available to less-skilled men imply that even in families headed by men low wages may limit the success of public efforts to promote work. The declining demand for less-skilled workers is driving the decline in wages and with a massive influx of new workers as past recipients leave welfare, wages will continue to decline and poverty will be more severe. In this light, the chief failure of the recent reforms is obvious.

Although the reforms are designed to reduce the reliance on government benefits and improve the employment prospects of beneficiaries, it is well short of being a comprehensive anti-poverty policy. Based on these shortfalls, I propose that we begin to re-examine anti-poverty policy in the United States. Rather than looking solely at the efforts of states and counties in the United States, I suggest that by looking to the examples of Sweden and the United Kingdom, we might be able to learn a lot. Given the present situation and the likely prospects for the future the benefits could be enormous.

---

29 Handler, Joel F. *The Poverty of Welfare Reform*. 1995: 40
CHAPTER 5:
CONCLUSIONS AND
RECOMMENDATIONS
I began this exploration of the different public assistance and employment programs in Sweden, the United Kingdom, and the United States with the belief that each system or pair of systems could offer some constructive criticisms for the other. In this final chapter, I will compare the programs of the three countries and the possibilities of certain programs being modeled by other countries. I begin with a brief discussion concerning the limits and possibilities of comparative social policy. Following this section, I offer recommendations for each country based on their current challenges. Some of these are more directly aimed at reducing poverty or unemployment, while others attempt to maintain or support the existence of the welfare state in general. Among developed nations, justice demands that governments extend to all members a system of communal provision sufficient enough to provide for a minimum standard of living. In its failure to provide extend communal provision broadly and sufficiently enough to meet the needs of all citizens, the present American welfare state fails to meet the demands of justice. In addition to being wise public policy, these recommendations are dramatic steps toward a more just structure of institutions of public welfare in America. I begin by turning to the limits and possibilities of comparative social policy.

The Limits and Possibilities of Comparative Social Policy

Although the problem of income poverty is one that all industrial democracies struggle to remedy, there is not one solution for all countries. As the analysis of the American welfare state reveals, different societies confront crisis in capitalism with different political institutions, which reflect different patterns of political beliefs and organization. These institutions and organizations nourish different structures of welfare state programs, which in turn shape different constituencies and encourage different political understandings of the meanings of the programs. Broad and inclusive programs, such as those in Sweden and the United Kingdom, develop large constituencies who act in solidarity with each other to sustain the public sector benefits; while targeted and means-tested programs isolate and divide these groups into competing factions. In this light, it is important to recognize that social policies cannot be imported without taking into account differences in political institutions and organizations, economic structure, geography, social and cultural establishments.
One important variance has been the different levels of electoral support for the welfare state in each of the three countries. In the United States, targeted social policies have isolated and stigmatized recipients, reinforcing a belief that the recipients are "moral deviants" who are less "deserving" of support public benevolence. The lack of strong institutional ties between the working class and the Democratic Party and the provision of welfare state benefits through the private sector, have also contributed to weaker support among the American electorate for welfare state programs. One recent example of this was the Clinton administration's failure to reform health insurance. In Sweden and the United Kingdom private sector provision of health insurance has been somewhat limited. Thus, the public provision of medical care is not only preserved, but expansions are often pushed for in various ways by opposing political parties. In the United States, on the other hand, health insurance has been provided, by and large, privately through employers. The Clinton administration's proposal to expand the public provision of medical insurance made many working class voters were fearful that they would actually lose benefits. Recognizing the differences among what may or may not be politically possible given the political developments of each of the welfare states is an important piece of any successful recommendation.

Furthermore, other institutional difficulties, such as different levels of unionization and the size of each country prevent some social policies from being transferred. For example, in Sweden over 80 percent of the workforce are in unions. Programs that rely on unions to distribute benefits therefore reach much more people than they would in the United Kingdom, and dramatically more than in the United States. Another example is the distribution of power and responsibility in terms of devolution or centralization. Recent changes in the United Kingdom and United States have devolved power from the national government to regional government institutions. Given that these two countries are larger than Sweden in size and population these changes are crucial to ensuring that programs are able to adapt to changes in local labor markets. Thus, programs that are successful in Sweden, such as the national reporting of employment opportunities and relocation grants, may not translate well into these less centralized countries. In short, although Sweden, the United Kingdom and the United States face the common challenge of providing for their populations, differences between the countries limit their
replication. That being said, these differences do not completely prevent comparative social policy. Rather by examining the programs of other countries and asking, “Why are they doing that”, and “How could we do something similar here”, creative solutions to common public policy problems can be achieved.

In general, comparisons across countries provide a stronger contrast in the analysis of economic, social, and political structures than simply analyzing and explaining any one of the countries. While it is important to recognize the distinctiveness of each of these countries, advanced industrial societies have many common goals and common problems. Comparing different answers to these common problems can lead to the creation of new policies through learning from the experience of other countries. Furthermore, making comparisons on an international level challenges policymakers to measure the “success” programs against new standards. In the area of poverty, international comparisons challenge our notion of what is an acceptable level of poverty, especially for children.

Furthermore, policy analysis confined to just one country prevents possible solutions by limiting the range of alternatives. Often times, policy analysis occurs within the boundaries of the already accepted solutions. However, if pre-existing measures were successful there would be no need for new solutions. By only viewing the range of alternatives from an already limited perspective old solutions are simply rehashed and new ones are rejected as being “inconceivable” within the accepted framework. Analyzing social policy from a comparative perspective allows us to see how similar situations have not always led to similar results and what we could do to change the system we have. This is not to say that any recommended solution should be accepted as possible or wise because it has been “successful” in another country, no doubt policymakers in the first country have had to make choices and re-evaluate policies as it went along. Rather, we should not shy away from the challenges posed by comparative social policies but embrace these challenges and the potential solutions they present. Understanding this potential, I turn now to examine possible improvements to the welfare states in Sweden and the United Kingdom.
Recommendations

As I wrote in the preface, my primary concern is with the programs in the United States. The recommendations I propose reflect this concern and thus more detailed for United States then for other countries. However, this does not mean that the other two countries do not need improvement. In fact, Sweden and the United Kingdom can benefit greatly from certain modifications to their welfare states. I begin with the potential changes to the Swedish model.

Recommendations for Sweden

The Swedish model has undergone drastic changes in the past two decades. Although the recent elections reflect a desire to maintain a strong welfare state, in the post-compromise era there will surely be other changes and cutbacks. My concern with regard to Sweden is not with the individual welfare state programs themselves; as the evidence in Chapter One indicates these programs have, even with the recent troubles, been successful in keeping poverty and unemployment to a minimum. The challenges facing Sweden are not the micro-level operations of individual programs, but rather on the macro-level commitments to the welfare state. The real test for Sweden will be whether or not these changes to the welfare state stay within the confines of a commitment to full employment and low poverty rates or if these commitments will be sacrificed for the sake of improvements in efficiency and productivity. The history of the Swedish model illustrates that if both labor and capital are willing to make sacrifices both commitments could be kept. The difference between the past and the present is that in the past compromise was achieved in an effort to avoid government interference, whereas now, both labor and capital are asking the Swedish government to intervene on their behalf. My recommendations for Sweden thus focus on ways to institutionalize the previous commitments to the welfare state. This includes improving the efficiency of the public sector, similar to the efforts of the United States and United Kingdom, using legislative authority to enforce “social wages” which were previously provided through the Saltsjobaden agreement and SWP, and maintaining and expanding inclusive benefit programs in order to solidify support for the welfare state.
During the 1980s, difficult economic times, rising government expenditures, and conservative leaders pushed the United States and United Kingdom to reduce the cost and scope of government through increasing competition in the public sector. In many cases this took the form of privatizing services and industries that had previously been owned and operated by the government or having the public sector contract out the services to a private industry. While in some cases this approach has reduced costs and improved efficiency, a problem with this approach has been the creation of inequalities in service provisions based on ability to pay and the fact that these improvements have come at the cost of better benefits and higher wages for workers. Given Sweden’s commitment to social equality, full scale privatization along the lines of the United States or United Kingdom, may not be the best route. However, efficiency can be improved if the Swedish public sector were to adopt some of the operating principles of the private sector and if privatization is based around principles of social democracy.

One of the chief criticisms of the Swedish model is that the public sector is too large and too insulated from having to “produce results.” In the United States this problem has been remedied through changing the organizational structure of public sector bureaucracies to be more flexible. Changing public organs from being rule-driven to “mission-driven” or “results-oriented” and allowing employees to have more control over their work can improve the delivery of services within the public sector without having to move to full-scale privatization. Although restructuring the public sector to be more “entrepreneurial” would be a significant shift from the present rigid bureaucracy, it would not be inconsistent with Swedish social democracy. These changes would be similar to changes in factories or corporations aimed at promoting economic democracy through greater worker control. Rather than reducing the power of laborers within the public sector, these changes would allow the workers to have greater control over their work. This combination of economic democracy and entrepreneurial management in the public sector could also be the basis for improving the efficiency of the public sector through privatization.

In his book, Privatization: The Key to Better Government, former Reagan administration official, E.S. Savas defines privatization as “the act of reducing the role of government, or increasing the role of
the private sector, in an activity or in the ownership of assets.”¹ Savas goes on to describe how goods and services can be privately distributed through a number of arrangements including contracting out, government vending, and free market. On face this definition is not wholly inconsistent with principles of Swedish social democracy, public ownership in the form of nationalization of industry never occurred in Sweden like it did in the United Kingdom. Furthermore, the private sector has always played an important role in maintaining the Swedish welfare state. One of the fundamental components of the Swedish model, the solidaristic wage policy, was premised on the belief that competition and an emphasis on efficient production were important to maintaining a healthy economy. However, one of the important differences between Savas’s ideas and Swedish social democracy comes in the form of safeguards to ensure that improvements in efficiency did not come at the cost of social equality.

For Savas, and many American and British reformers, the goal of privatization is a more efficient, less costly distribution of good and services without concern for how these reductions are achieved. If privatization is to be part of improving the Swedish public sector, then reductions in equality must not come at the cost of good benefits and wages. Thus, privatization in the Sweden would be significantly different that in the United States or United Kingdom, particularly as it relates to the phrase “ownership of assets.” For privatization to occur while the commitment to social democracy is maintained, one of two conditions must be met: either the ownership of assets must be in the hands of workers, or industrial democracy through worker participation in the management of the firm must be assured. A number of goods and services presently distributed through the public sector could be privately distributed without breaking the commitment to the welfare state. These services include infrastructure maintenance, solid-waste management, transportation, and administrative functions such as food services and payroll, even social services. By contracting with private business that operate in a manner consist with the principles of social democracy, the Swedish public sector can improve its efficiency and productivity, without sacrificing a commitment to the welfare state.

The second recommendation for Sweden is to use legislative power to maintain the fundamental commitments of the Swedish model. As was noted earlier, the compromises of the past set the boundaries within which competition could not come at the expense of equality among workers. Since the Saltsjobaden agreement and the solidaristic wage policy no longer set the boundaries, it unfortunately falls on the state to do such. One manner in which many state and local governments in the United States have incorporated competition and privatization while maintaining a high quality of life are legislative rules such as "livable wage laws." In Sweden such legislative solutions did not exist because of the private agreements between labor and capital. Government action is a poor substitute for private action between labor and capital. However, since capital and labor have been unable to maintain the framework that allowed the Swedish model to flourish the duty falls on the Swedish government to step in and set the ground rules. The legislative remedies of the United States are premised on the same idea as the compromises of the past in Sweden – improvements in efficiency cannot be balanced on the back of workers. Unfortunately, Sweden is at a point where private action has failed. If the Swedish government does not intervene, there is the likelihood that the poverty and inequality that is evident in the United Kingdom and the United States could begin to appear in Sweden.

Finally, the Swedish Social Democrats would be wise to learn from the divisions that developed among the working class during the course of the American welfare state. In all three of the countries profiled here, broad or universal programs designed to provide a degree of social security have been maintained, even in the face of harsh criticisms. The reason for this is quite simple: large numbers of people have a vested interest in their maintenance and preservation. Of the countries in this study Sweden has been the most successful in developing an inclusive welfare state that shores up support through providing benefits to a significant portion of the population. This is reflected in the continued existence of broad welfare state programs and the recent electoral success of parties on the left promising expansions of these programs. However, changes in privatization and competition could divide the working class and weaken the welfare state over the long-term. With an eye toward the history of the American welfare state then Sweden should move cautiously toward competition while ensuring that
changes maintain broad and universal support for the welfare state. The challenge for the parties on the left is to find a way to maintain the welfare state while improving Sweden’s economic situation. The first steps are to improve the efficiency in the public sector while using legislative intervention to ensure high social wages and a commitment to equality.

Recommendations for the United Kingdom

The similarity between the recent changes to welfare in the United Kingdom and those in the United States reinforces the idea that social policy can transcend borders. As Chapter 3 points out, many of the changes ushered in under Labour resemble programs found in the United States. For example, the Working Families Tax Credit is modeled on the Earned Income Tax Credit that has been in place in the United States since the 1980s. Even the terminology for the programs – the New Deal – finds its inspiration in the development of the American welfare state. Given that the levels of poverty in the United Kingdom and the United States were already fairly similar, these developments could be incredibly damaging to Britain’s poor if the economy turns down and the “employment option” is not a viable way to make a living. I recommend two changes to improve the situation of the poor in the United Kingdom.

First, similar to Sweden, labor unions have played a crucial role in the development of the British welfare state. However, since the time of Margaret Thatcher unions have come under increasing attack and have seen their political power increasingly reduced. Even within the Labour Party the institutional ties to the unions have been in weakened. The first recommendation I offer is to have unions play a larger role in assisting unemployed and poor persons in moving off public support and into employment. One effective means to do this is to have the unions serve as the training providers under the New Deal and Work-Based Training programs. During the training sessions, participants would not only develop the skills and knowledge they need in order to be productive employees, but also would develop ties to the unions, improving the employees position and earning potential after the training.

Secondly, in addition to operating the training facilities, I would develop a system of unemployment insurance outside of JSA that is financed by the unions, the government, and businesses.
Similar to the unemployment insurance system in Sweden, this program would be administered by societies under union control. Because the British workforce remains highly unionized, this system would provide additional coverage to the portion of the population that tends to float between jobs. It would also avoid many of the disincentives to employment included in traditional income support because the level of benefits would be tied to past and future employment. Furthermore, since individuals would be obliged to put themselves at the disposal of the labor market and accept offers of suitable work or labor market training or face reductions in benefits, dependency would be minimal. Finally, similar to the system in Sweden, the union-run organizations would set their own benefit levels, with a minimum being 75 percent of the individual’s previous income. This provision would ensure that severe poverty is not associated with short spells of unemployment.

Undoubtedly, the recent reforms mark a significant reinterpretation of the traditional British welfare state. While certain portions are extremely harsh, the framework is such that improvements could dramatically increase the employment prospects of the poor. The challenge to policymakers in the United Kingdom is to find ways to encourage employment while maintaining the traditional commitment to a minimum standard of living for all British citizens. The Swedish model offers hope that using labor unions in job-training and unemployment insurance could combine both the employment and income goals of the Labour government.

While both Sweden and the United Kingdom could benefit from the lessons of the three countries in my study, I am most concerned with the need for improvements in the public assistance and job-training programs of the United States. Based on the examples of Sweden and the United Kingdom, I make 4 recommendations for changes in the U.S. welfare state.

*Recommendations for the United States*

Given the state of the poor in the U.S. and set against the backdrop of the welfare states in Sweden and the United Kingdom the demand for reforms in public assistance and employment programs is obvious. In a comparative perspective the United States has the highest poverty rates due in large part to its substandard system of public assistance. Surprisingly, the figures also illustrate that while poverty
is the highest of any country, unemployment is the lowest. As such, the phenomenon of the poverty in America is often described in terms of the “working poor.” This is not to say that work does not reduce poverty, for most Americans the fastest way out of poverty remains gainful employment. In part this is due to the relatively low benefit levels in the United States, but it is also due to the nature of poverty in the United States. Contrary to the widespread belief that welfare is a way of life, most families cycle in and out of poverty and work. The challenge for policymakers then is to provide both income and employment security for everyone in America. This demands changes in both employment and earnings related programs, but also in transfer programs, such as health care benefits, child allowances, and housing vouchers. As the evidence from Chapter One demonstrates, prior to taxes and transfers, poverty was roughly the same in the three countries; after taxes and transfers are taken into account, the poverty rates in the three countries quickly diverge. The lack of effective social assistance programs has led to higher poverty rates in the United States, despite greater employment among American workers. Sweden and the United Kingdom offer a number of positive programs whose framework or fundamental principles could provide significant reductions in poverty levels in America. I begin with the EITC, a program that began in the United States but has been imported into the United Kingdom with a series of changes that I think would be beneficial for low-income Americans.

*Expand, promote and simplify the Earned Income Tax Credit (EITC)*

For low-income families with children, the EITC provides a supplement to earnings through either a tax reduction or (for those who owe no taxes) a refundable tax credits. In 1993 a family with a child under age eighteen and total earnings under $7,520 received from the government an additional $.176 for every $1 earned, which thus supplemented wages to low-income families through the tax system. The EITC has been popular in Congress in part because it promises to meet both the income goal and the employment goal. For those out of the labor market or working very little, the EITC encourages greater work effort by increasing the returns to work. Because these wage gains accrue entirely to the family (there is no offsetting reduction of other benefits), there is a real increase in income, as well. This was best demonstrated by the Urban Institute’s study of work incentives under TANF. The study finds
that the EITC is responsible for “a considerable portion of the increase in income as families move from welfare to full-time minimum wage work.”

Although the situation varies from state to state, the authors find that the substantial increase in income occurs across the board. They write,

Without federal and state EITC programs, a Mississippi family of three that moved from no work to part-time work at minimum wage would receive a 67 percent increase in income; when EITC is included, the increase is 108 percent. Without federal and state EITC programs, a New York family of three that moved from no work to part-time work at minimum wage would receive only a 19 percent increase in income; when EITC is included, the increase is 45 percent.

By increasing the effective wage rate received by workers whose earnings are low, the EITC enhances the earnings of low-income families in a way that rewards work.

People only receive the EITC if they are working, and the amount they receive varies with their earnings. Thus, for individuals who are not working or working few hours at low wages, the EITC enhances the incentive to work. However, it must be noted that although the EITC presents a clear incentive for working, it is not the same for all employed persons. For those who are out of the labor market entirely or who have very low earnings the EITC presents a clear incentive to increase work hours, because the tax credit raises the effective wage that a person is receiving. However, at some point the EITC must phase out (the credit gets smaller and smaller as earnings pass some point until the credit reaches zero). It is in this phase-out range where the credit can raise the tax rate on working low-income families and discourages additional work effort. To compensate for this and increase the take home pay of low-income individuals, I recommend increasing the EITC in two ways. By first increasing the phase out range, and second, by doubling the wage supplement. The effect of these changes would have two positive outcomes. First, it will provide low-income individuals with more disposable income and improve their purchasing power. Second, although raising the phase out level while not totally remove the disincentive to additional work, by the time such a level is reached there are other factors (such as an improved work ethic or possibilities for promotion) will negate this factor.

---


This is not to say that the EITC has been or will continue to be a cure-all. In fact, one reason the EITC has had limited effects on labor supply is lack of information about the program. In addition, the somewhat complex structure of subsidies under the EITC may make the incentives within the program difficult for even its recipients to understand. And because the program is run through the tax system and is entirely unrelated to other job training and income transfer programs, which are administered through local welfare and employment offices, the government officials whom most poor people are in contact with (caseworkers) are not well informed about the EITC. As Rebecca Blank notes, “This lack of knowledge may further reduce the extent to which recipients understand this program.”

To remedy this I proposed two changes to the administration of the EITC based on how the United Kingdom has implemented their own version of the EITC. First, rather than having the EITC be returned to low-income individuals at the end of the year, I would have individuals who wished to apply for the credit, sign up and allow them to receive their returns based on their income from the previous month. In the United Kingdom, applicants receive their credit in a manner similar to this. To receive the Working Families Tax Credit as well as any child care subsidies and other credits they might have through a “pay packet” that serves essentially as a wage subsidy. Although the credit would still be behind, it would be more accessible then it is now. Furthermore, since the EITC is administered through the IRS, any corrections for overpayments or underpayments could still be handled through the present process. The second change would be to improve education about the EITC among both employment service providers and employers. Both groups would benefit from greater knowledge about the EITC. First, the incentives provided by the credit would benefit employment service providers through improvements in their placement rates. Second, businesses will benefit because it would allow them to hire workers without the administrative costs of other programs such as wage subsidies.

Aside from the economic benefits, expanding the EITC would also be a significant step toward creating a just structure of public assistance. Returning to the principles of communal provision and mutual obligations, justice demands that citizens use the collective resources of the state to maintain the

---

4 Blank, Rebecca. 1994. p. 193
welfare of its people. For those who are able to support themselves, receiving support includes a reciprocal obligation to work in exchange for benefits. Because employment is a prerequisite to receiving the EITC individuals who receive benefits have fulfilled their obligation to work, while communal provision is secured by ensuring that the rewards for work are sufficient to maintain an adequate standard of living. The idea of expanding the EITC to ensure that the needs of all working families are met is not limited to appeals based on the principles of communal provision and mutual obligations. In fact, supporters of the EITC’s include conservatives and libertarians like Ronald Reagan and Milton Friedman.

In *Capitalism and Freedom* Nobel Prize winning economist Milton Friedman sets forward two criteria for providing assistance to the poor. First, according to Friedman, if the objective is to alleviate poverty, it must be a program directed at helping the poor because they are poor, not because they are members of particular occupational or age group. Second, the program should operate through the market, but not distort the market or impede its functioning. The EITC meets both of these criteria. Only those who are poor, and based solely on the fact that they are poor, receive the benefits of the EITC. Furthermore, by not creating a disincentive for increased labor force participation like traditional income subsidies, the EITC is acutely friendly to the workings of the market. A further analysis of Friedman’s work also reveals a skepticism of the ability of private charity to ensure a minimum standard of living for all Americans, and the subsequent acceptance of this duty as being a legitimate role of government. While Friedman does not use the terms “communal provision” and “mutual obligation”, he is in agreement with those who do on an important issue. Both agree that the proper role of government is to provide for the well-being of the citizenry, although the might disagree with the extent and manner in which communal provision ought to be provided. In light of the discussion in Chapter Four regarding the inadequacies of our present conception on what is “adequate” and given the importance access to economic resources plays in an individual’s participation in society, I argue for a more extensive system of communal provision aided through the expansion of the EITC.

---

Provide Transitional Assistance and improve Unemployment Insurance

One of the failings of the EITC is that it does not provide additional assistance to families when they face hard times. This was also one of the major failures of the old AFDC program; it was unable to change as the population of the poor changed. To avoid some of the same pitfalls and negative incentives, TANF programs must be adjusted to address differences among the poor, as well as being designed to reflect the demographics and dynamics of low-income families. For most people poverty is a short term but sometimes frequently repeated experience. The stereotype of the “welfare queen” living off the dole simply does not reflect the actual experience of the poor in America. As was noted earlier, the same is true as we look to Sweden and Great Britain. But yet the poverty rates in the Sweden and Great Britain are remarkably lower and low-income individuals in these nations are comparatively much better off. One reason for this difference comes from the way these countries structure their unemployment programs to provide sufficient benefits, while at the same time encouraging work. The United States could learn from this experience by tailoring assistance programs to reflect the transitional nature of the problems low-income people face.

Following the example of Sweden, the United States could improve transitional assistance by reforming the system of unemployment benefits. For many of today’s poor, unemployment and the economic poverty that results is often a short-term experience. What people in these situations usually need is help to get over a temporary period of hardship and to find a job or overcome another problem. The new One-Stop centers will provide some assistance by providing access to employment services; however, even One-Stops cannot provide the instant relief that is often necessary. In order to improve transitional assistance I proposed an expansion of general assistance and emergency assistance programs. This transition assistance would include providing cash assistance to individuals who have lost a job, without regard to the reason. One thing that policymakers must realize is that accident and emergencies are a part of life. They occur to everyone regardless of socioeconomic status. However, because of the tenuous state in which the poor live, constantly on the margins of existence, such emergencies, while problematic in and of themselves, can also create further problems that can be beyond the control of the
individual. Because of the state in which the poor live, policymakers must design policies to assist the poor in such emergencies. Transitional assistance would serve such a purpose, and in doing so would be the first step to ensuring that those who fall on hard times can get back on their feet. Along with transitional assistance, major reforms must be undertaken with regard to unemployment insurance.

Insurance for death, illness, and involuntary unemployment is a pillar of the democratic welfare state. Yet, as demonstrated throughout, in the United States unemployment insurance (UI) has always been controversial. Although coverage has been gradually extended, the UI still remains a system of state programs under federal standard, with varying levels of eligibility conditions and benefits. While I do not propose nationalizing benefits, I do propose regulations that will make UI more available to those who need it most, low-income individuals. Presently, roughly 90 percent of employed workers are covered by UI but only about 30 percent of the unemployed actually receive benefits. Moreover, despite the steady increase in coverage, this fraction has been falling more or less steadily since the late 1950, from roughly 50 percent of the unemployed.\footnote{Handler, Joel and Yeheskel Hasenfeld. \textit{We the Poor People: Work, Poverty and Welfare}. Yale; New Haven. 1997: 136.}

Unemployment insurance has three requirements for eligibility: (1) The claimant must have lost a covered job and be currently available and actively searching for work. In all but a few states, an employee who has been fired or quit is disqualified. (2) The claimant must be unemployed for a period greater than a minimum waiting period (usually one week) and less than the maximum duration (usually twenty-six weeks). In other words, UI benefits usually last only twenty-six weeks. In states that do pay benefits to quitters, there is a longer waiting period-usually ten to twelve weeks. And (3) the claimant must have received a minimal level of earnings or worked a minimum number of weeks during a “base period” prior to becoming unemployed. With some variation, most states calculate the base period as the first four completed calendar quarters prior to the quarter in which the person became unemployed.

When originally created, UI was designed for full-time, male, year-round workers in relatively stable jobs. Changes in the workforce such as the transformation from manufacturing to service, the
decline in unionization, the rise of low-skilled, low-paying, no-benefits, contingent, and part-time work, and the huge increase in women in the paid labor force have made this structure out of date. Younger, nonunionized workers, females, workers with shorter unemployment spells are less likely to apply for benefits. With women, especially mothers, there is more part-time employment (although a majority of mothers are in the paid labor force, only about a third are full-time workers), more dropping out, less availability for weekend or shift employment, and continued job segregation in jobs with lower pay, less security, and fewer benefits. It is no surprise that fewer unemployed women receive benefits than men, and instead are forced to turn to government programs, i.e. TANF, for assistance.

The UI eligibility requirements create the following problems for women workers, especially welfare recipients who are trying to work their way off welfare or low-wage workers who are trying to avoid welfare: First, the claimant must have worked sufficient hours or earned a sufficient amount. Workers who are in and out of the labor market because of the nature of the jobs or for family reasons may not satisfy this work test. Some states provide for more flexible ways of counting the base periods—for example, returning to work after a period of disability—but so far, there are no provisions making adjustments for birth or child care.

Second, if the mother has to quit work because of a breakdown in child care or for another family reason, she may be disqualified as having quit voluntarily. All states disqualify voluntary quits “without good cause.” In about half of the states, “good cause” has to be “connected with work” or “attributable to the employer” such that the mother must quit because of poor working conditions rather than family reasons. A common problem arises when an employer changes the terms of employment, making it impossible for the mother to work because of child care problems. Courts go both ways in deciding whether quitting under these circumstances is due to working conditions or family reasons. The voluntary-quit disqualification also causes problems with people taking multiple jobs or temporary work. Does the voluntary-quit disqualification apply to one or both jobs—for example, the claimant loses the full-time job and cannot afford the part-time job? There are conflicting interpretations concerning temporary agency workers-some courts hold that merely accepting temporary work is, in effect, a voluntary quit.
Given the present state of UI, it is no surprise that the great majority of welfare recipients do not receive any UI benefits despite considerable work effort. A study conducted by Roberta Spalter-Roth, Heidi Hartmann, and Beverly Burr found that over a two-year period, although 43 percent of AFDC recipients worked about half-time-only 11 percent received any UI benefits. As might be expected, those who did not receive UI benefits worked at jobs with lower wages; and they had fewer jobs, fewer hours of work, and fewer weeks of full-time work than those who did receive UI benefits. But the former still engaged in considerable work effort. Almost 80 percent of the "non-UI" recipients had about the same work effort as the UI recipients, that is, the number of hours worked over the two-year period. The only significant difference was that the UI recipient held more jobs during the two-year period. Those who did not receive UI benefits tended to work in food service, cleaning, and personal service, spent more time on AFDC (combining AFDC with work), and were more likely to be a minority. Those who received benefits worked in sales, in clerical or administrative support positions, or as operators, handlers, and laborers, but not in service jobs. Those who received UI benefits were more likely to live in more generous states.

Because UI is administered through the states, there are a number of variations in state policies. For example, some states have a movable base period that computes earnings in the four most recently completed quarters of work instead of the first four of the last five quarters. Applying this rule for all states would better reflect the employment characteristics of many of the poor and substantially benefit those who display a high work effort but who have low, sporadic earnings. States should also be required to set the base-period earnings requirement so that part-time or low-wage workers (who have a substantial tie to the labor market) are not disqualified for insufficient base-period earnings, or insufficiently high quarter earnings. Furthermore, voluntary-quit and availability-of-work disqualifications have to be liberalized to extend to temporary disability insurance to cover family emergencies. States should be required to consider part-time workers or previously full-time workers who now have child care

---

8 Spalter-Roth, Roberta, Heidi Hartmann, and Beverly Burr. "Income Insecurity: The Failure of Unemployment Insurance to Reach Working AFDC Mothers" quoted in Handler and Hasenfeld, 1997: 183.
constraints and are looking for part-time work as actively seeking work. Similarly, the requirement that recipients actively seek work should be satisfied when a mother has to restrict her search to shifts in which child care is available; similarly, refusal of a job that requires shift work when child care is unavailable should be considered good-cause.

One of the ways that Sweden has been so successful in providing income security while maintaining full employment was through its system of unemployment insurance. Because unions are not as widespread in the United States as they are in Sweden transplanting the Swedish system carte blanche would be impossible. However, the United States can take from Sweden the idea that benefits should be connected with past and future work, as well as recognition of the changing work environment. If we are serious about encouraging work, then we have to recognize some of the difficulties associated with employment.

Returning to the principle of mutual obligations reveals one of the major shortcomings of the PRWORA — the lack of support for those who play by the rules. According to the rhetoric surrounding the reforms, a main motivation behind the overhaul was to encourage employment and self-sufficiency, rather than dependence on government support. The starting point for this was the belief that middle and upper class families provided for themselves through work, so too should the poor. As I have stated earlier, I am willing to accept the individual’s obligation to work as a condition for benefits because of the reciprocal obligation of the state to provide opportunities for the individual to fulfill this demand. I concede that justice places an equal demand on all citizens to attempt to secure their own well-being through their labor. However, justice also requires that communal provision — in the form of the EITC, job training opportunities, and nonwage benefits — be extended to those who have played by the rules and made an attempt to take advantage of the opportunities presented to be self-sufficient, but through no fault of their own are unable to adequately support themselves. Transitional assistance and unemployment insurance are two ways to extend communal provision to these people.

We as a society recognize that people fall on hard times. To soften the effects of these times, a number of security programs to middle and upper class families in these situations. Yet, when it comes to
low-income persons and participants in particular security programs, the demands and expectations change. Rather than viewing the causes of these problems as being beyond the control of the individual, poverty is a legitimate “consequence” of improper behavior on the part of the individual. As such, the distributive principle underlying the present welfare regime places is a rather Orwellian demand to treat all citizens equal, but to treat middle and upper class Americans as “more equal” than the poor. The inconsistency in these demands based on socio-economic status is unjust in a democratic republic like the United States.

If we view the bond between citizens and government and among citizens as a contract, then democratic equality and justice demand that the terms of the contract apply equally to all citizens. To treat equals unequally in this situation is unjust, anti-democratic, unfair, and their inconsistency violates the very principles that form the basis for individual liberty.

My argument here is not that we should change the terms of the social contract in the welfare state; in fact, I agree with the previous demands of individual self-sufficiency and government as provider of security. Instead, we should recognize the labor market situation facing the poor and their tenuous hold on an already minimal level of existence, and devise policies that incorporate this in maintain our commitment to communal provision. Improving transitional assistance and unemployment insurance are important steps to creating just welfare state policies that recognize the simple equality of all individuals in providing for security when they fall on hard times through no fault of their own.

*Improving the Nonwage Aspects Of Employment*

Perhaps the most fundamental difference between the American, Swedish, and British welfare states is the extent general welfare benefits are extended to all citizens in each country. As I set forward in the introduction, this paper does not examine, in detail, differences in these nonwage categories. Nonetheless, I believe it is crucial that in addition to improving the social assistance and employment and training, improvements in these areas are essential as well. While I believe that a complete anti-poverty program would include nonwage related problems including primary and secondary education, housing, and transportation, I want to focus on two particular categories that Sweden and the United Kingdom
have included in their anti-poverty programs – the availability of health insurance to all persons and subsidies to either purchase or providers of child care for low-income families could make work look far more attractive to low-income women with young children.

Health Insurance:

Health insurance and the provision of health care primarily involves money – money that we generally are providing already. Medical protection outside a welfare system reinforces autonomy, work and family and helps integrate people into at least one part of the mainstream. Furthermore, research has shown that the loss of Medicaid benefits upon leaving AFDC was a significant deterrent to leaving welfare. The decoupling of Medicaid eligibility from the receipt of cash aid and recent expansions of Medicaid eligibility should mitigate the program's work disincentives at lower income levels. Although the decoupling of Medicaid and TANF should remove some of the barriers to work, there is some evidence that low-income families and family service organizations do not understand Medicaid eligibility rules. Thus, even though, statutorily, Medicaid should not interfere with a TANF recipient's decision to work, TANF recipients may fear losing health benefits under Medicaid and choose not to work. Thus there is the need for a support program, not associated with Medicaid or TANF that would provide assistance to low-income families.

Although over the long run I believe a system of comprehensive national health insurance such as in Sweden or the United Kingdom is the best and most democratic option, in the meantime I suggest that families leaving TANF for work, individuals come back to the labor market, or individuals who previously had not had steady employment, for whatever reason, receive Transitional Medicaid Assistance (TMA). This program would be government financed, and would basically pick up the costs for participants in private HMOs and other health plans, with some reduction in services and possibly with some premium copayments. Further, children in low-income families, and even some parents, may be eligible for Medicaid either through expansions for children or because they qualify for benefits under the medically needy program.
Child Care:

One of the primary reasons for the creation of the American welfare state was to insure that mothers (particularly widows) and their children would be taken care of without having to go to work. With changes in the labor market and gender roles, women are increasingly drawn into the workplace. At the same time however the expectation of child rearing forces women, particularly single mothers, to choose between paid employment and the unpaid work of raising children. The new welfare legislation clearly places the priority on work (for better or worse) but provides very little in the way of assistance for women with family responsibilities. In part this is due to the backlash based on the misconception that women would have more children in order to receive more assistance. But part of this is also due by the failure by predominately male legislators to fully understand the demands for time placed on many welfare recipients. This is not to say that AFDC was any better. In fact, many of the women who wanted to work simply could not afford to loose the benefits public assistance provided them because the earnings from employment were less than the benefits they received. To rectify this, I propose a system of child allowances similar to that of Sweden as well as increases in subsidies for the child care of low-income families and former recipients of public assistance.

Child care subsidies are particularly important if we are serious about improving the employment of former public assistance recipients. In the absence of subsidies, the cost of child care could serve as a significant deterrent to work. If a Colorado single mother on TANF with two children had to pay child care costs for just one child when she began a part-time minimum wage job, her net income would rise by 32 percent, compared with 54 percent if she had no child care costs. However, because child care subsidies are pegged closely to costs and because copayment requirements are modest, subsidies for child care should offset the work disincentives generated by child care costs. If parents are concerned about the quality of child care that is available, even generous subsidies may not help remove the work disincentive presented by the need for child care. Further, if the costs that parents face are considerably higher than those estimated by the state or if statutory subsidies are not available, child care may remain a serious obstacle for women trying to leave welfare for work.
Ultimately the people who end up paying most for these negative policies are not the women on public assistance or the taxpayers who finance such systems but the children who the original policies were designed to benefit. As Chapter One makes clear, not only does the United States have the highest poverty rates of children for any industrialized country, but children in the United States are poorer than the children in other countries. In order to lower the child poverty rate we must enact policies that not only guarantee that children do not pay for the mistakes or misfortunes of their mothers and fathers, but we also must guarantee that parents are not forced to choose between paid work and child care.

The principles of justice that underpin improvements in the non-wage aspects of employment are similar to those pertaining to improvements in transitional assistance and unemployment insurance. In essence, the extension of communal provision in a democratic welfare state requires more than simply earnings-related assistance, but also benefits connected to work including child care and medical insurance. We recognize the importance of the connection between work and these non-wage benefits and have enacted policies (such as the Family and Medical Leave Act) to make sure that middle and upper class families can avoid having to choose between one or the other. Why do not we extend this to the poor? As a matter of justice in terms of meeting the needs of our population, we should extend these benefits in the form of transitional Medicaid and improved child care subsidies.

_Encourage and Promote Upward Mobility through Education, Training, and Public Employment_

The final component to any long-term anti-poverty strategy is providing the opportunity to escape poverty through work and to work toward improved earnings as a reward for advanced training and education. The reforms of the PRWORA remove the disincentives to work, but for many people, the reforms provide limited opportunities for employment and an improved standard of living. To remedy this I propose removing the barriers to higher education and training and providing a range of public and private employment opportunities for past welfare recipients, similar to the programs under CETA and those involved in the United Kingdom's New Deal programs.

First, in many states there is widespread refusal to permit people on welfare to include post-secondary education as an acceptable work activity, something that is leading to an exodus of recipients
from community college and universities. Despite research showing that an overwhelming majority of recipients who earn post-secondary degrees or attend technical schools become financially independent and that those who complete any post-secondary education have a far greater capacity to get and hold a job than those with no higher instruction, states are forcing recipients to choose immediate employment with low wages in order conserve their months of assistance. The United Kingdom has figured out that the best way out of poverty is through advanced training and quality employment opportunities. As part of the New Deal programs, individuals are *encouraged* to join training or higher education options, while at the same time being allowed to keep their public assistance benefits. If we are serious about giving people "a hand up rather than a hand out" we need to remove barriers to upward mobility including making individuals choose between school and work.

Furthermore, the principle of mutual obligations would hold that those who work while in school, even if they receive benefits, should not be penalized. The rules of the game in America are quite clear. The way to get ahead is through education. We understand that education imposes financial hardship, even on middle-class families, and thus do not expect individuals to be self-supporting while enrolled in school. Although many students work to get through school, loan and grant programs are designed to relieve the burden of providing for both the future and now. Why does the same reasoning not apply to people on public assistance? People in this situation have played by the rules; they have done what we demand of society at large, yet a different standard is applied to them. Whether one believes in Rawls’s version of justice as fairness or accepts the principles of mutual obligations and communal provision, laws that restrict higher education for public assistance recipients are unjust and must be abolished.

The final component of any employment-based anti-poverty strategy must be a system of public employment opportunities. If work is required of every member of our society, then everybody who wants to work should be able to find work.

These programs are not new to the United States. In response to the Depression of the 1930s, the federal government operated such well-remembered programs as the WPA (Works Progress Administration) and the CCC (Civilian Conservation Corps). During the late 1970s, the United States
again expanded public sector employment as part of placing disadvantaged workers into public sector employment as part of the Comprehensive Employment and Training Act (CETA), which focused on placing disadvantaged workers into public sector job slots. CETA was abolished and replaced with JTPA in 1983. Since that time neither JTPA nor the WIA have included provisions for relief jobs.

Public sector employment means “creating” subsidized jobs in public or not-for-profit institutions. These are often explicitly short-term jobs, available to low-skilled workers who are having trouble finding work in the private sector. Government would act as the financier of all jobs and job-related projects, however nonprofit organizations and private businesses could be the actual employers. These organizations would be contracted out by the government to develop and construct a number of public works projects such as constructing schools, parks, and libraries. Strict demands would be placed on the wages to insure that all workers would be paid a livable wage, with higher wages to those workers who did not receive health insurance. A special program would also be set up to establish municipal child care centers. These centers would be similar to those in Sweden and would provide child care to newly employed individuals who might otherwise not be employed if child care was not available. The temporary job placements will provide training and work experience to disadvantaged workers, helping them successfully find a job in the private sector when their public sector employment ends.

There are two reasons that underpin my argument for public sector employment. First, high unemployment among less-skilled workers means that many simply will not find jobs. Even though recent unemployment figures remain low, for the segment of the population focused on here, unemployment remains at roughly three times that of the general population. Subsidizing employment in short-term public sector positions may be better than allowing people to remain unemployed and supporting them through public assistance programs. Second, for someone with few skills and little past work experience, well-designed public sector jobs might provide the job experience and work discipline that will allow them successfully to land a future job in the private sector.

The justness of any employment-based welfare reform depends heavily upon the workings of the market and the strong demand for new workers. If the transformation of welfare into work is going to be
successful, then a substantial number of unqualified people will be looking for work, who were
previously not doing so. One consequences of this could be a decline in the already low earnings of many
of these individuals as wages and work hours decline from an oversupply of labor. In the event that this
happens, the EITC could make up for the market’s failure to provide adequate earnings, but this alone
will not guarantee success in moving people off cash assistance and into employment. For thousands of
American’s the Employment Act’s pledge to provide “useful employment opportunities ... for those able,
willing, and seeking to work” would remain unfulfilled. The market failure compels the government to
act and provide employment in order fulfill the demands of communal provision and mutual obligations.
If the rules for receiving benefits require individuals to work, then part of the reciprocal responsibility
placed on government is provide individuals with the opportunity to be employed. This includes not only
removing the barriers to higher education but also providing public sector employment as a fundamental
component of any anti-poverty strategy. Not to providing these opportunities would be an abdication of
government’s responsibility to its citizens and a failure to achieve the demands of justice placed on the
democratic capitalist state.

The previous four recommendations that I propose are all aimed at improving the system of
moving individuals off of public assistance and into paid employment. However, in order for any public
assistance programs to be just it must allow for the provision of benefits to individuals as a right of
citizenship. As such, while these four recommendations would significantly improve the standard of
living and employment prospects for many Americans, the justice will continue to elude the American
welfare state will until the entitlement to benefits is reinstated.

Conclusion

I return now to Rawls’s principle of justice as the first virtue of social institutions. Looking at
economic poverty in a comparative perspective reveals the lack of this virtue in American economic,
social and political institutions. As I have demonstrated, the continued pervasiveness of income poverty
is caused by the lack of support for those not in the paid labor market (primarily children, mothers of
young children, the disabled, and the unemployable). Although the United Kingdom and Sweden are
facing higher levels of unemployment, they are not experiencing a growth in inequality and a high level of poverty because a developed social safety net is still in place. The problem is also the lack of decent jobs for those who want to work. The principal reason for the high level of poverty and inequality in America, despite the growth in jobs, is that the real wages of low-skilled workers have stagnated or declined, even with the more recent modest growth in productivity. Although none of the countries profiled here is perfect, none are beyond repair. The needed repairs require a higher level of expenditure and commitment than is currently in place, but these requirements are fundamental to the democratic welfare state’s commitment to its citizens.

Throughout this paper I have intertwined arguments against poverty in terms of both economic and political theory. Ultimately, while good public policy must be grounded in sound economic reasoning, discussion of poverty often turn not on economic principles but on human conceptions of ideas of justice, fairness, equality, responsibility, citizenship, and the role of government. In present context, where market ideology increasingly dominates our public discourse, Rawls’s standard of justice reminds us of what the appropriate measure to judge public policies and institutions should be. While I would disagree with Rawls on his conception of justice, I agree that justice should be our a priori concern.

If justice is the standard by which public institutions are judged, then what are the criteria by which they should be judged? My goal in this paper has not been to fully answer this question, in part because I myself am still struggling with the answer. However, when it comes to the institution of the democratic welfare state the standards that I have articulated are the principles of communal provision and mutual obligations.

Communal provision, as conceived originally be Michael Walzer, requires government to provide all members of a political community to have a minimum standard of living provided so that they may fully participate in the community’s democratic functions. Although the term “communal provision” is Walzer’s, this concept has been part of the American welfare state since the beginning and the principle can be found in writers across the political spectrum, including economists such as Milton Friedman and Arthur Okun, and political theorists like John Rawls and Charles Taylor. In the context of the American
welfare state I argue that this principle entails two commitments based on individual ability. For those the members of the community who are able and willing to work, government's commitment must be to provide opportunities for these people to achieve a fair standard of living through their own labor. If through their labor, individuals still have a substandard existence, government’s duty is to rectify this failing. The second commitment is to directly ensure the provision of goods to those members of society who are not able to support themselves through their own work, including children, the elderly, and the disabled. The distinction between these two categories is the ability of each group to be self-sufficient, but this distinction creates important differences in the role and function of government support for each group. In either case, this line of argument holds that government’s responsibility can never abandoned. The final aspect of communal provision relates to the entitlement to benefits. Simply put, communal provision requires that all citizens be provided for based on their membership in the American political community. So long as people are members of the American society, benefits must be extended in order to assure they are fully able to participate in communal life.

Given this standard of justice the recent abolishment of the entitlement included in the Personal Responsibility and Work Opportunity Reconciliation Act violates the principles of communal provision on two counts. First, and most importantly, it ends the entitlement to benefits by imposing a five year (60 month) lifetime limit on the receiving benefits. Under the law, after an individual has used up their 60 months, they are not longer entitled to benefits a right of citizenship. Second, by failing to provide sufficient opportunities for individuals to escape poverty through employment, the guarantee of a minimum standard of living remains incomplete. Reinstating the entitlement to benefits and adopting the four recommendations I have outlined would strengthen the system of communal provision and be a significant step towards achieving justice in the American welfare state.

The second principle of justice in the American welfare state is the principle of mutual obligations. Although this principle is founded in social contract theories of government dating back to John Locke, Thomas Hobbes, and more recently John Rawls, I use it in a more communitarian sense than these theorists do. Under this principle, both the individual with a political community and the community
at large through government, have duties that must be fulfilled as part of the social contract of welfare state. This contract entails an obligation by society to ensure that the individual members of the community have a reasonable minimum standard living. In exchange for this assurance, those who rely on the state for assistance have an obligation to utilize the opportunities provided to move off public assistance and towards economic self-sufficiency. Because both the beneficiary and the benefactor have duties that must be fulfilled, it is important to recognize that these benefits are mutual.

Part of the impetus behind the recent welfare reforms was the feeling that this social contract had been broken on the part of public assistance recipients. The perception among the population was that benefit recipients were not fulfilling their obligation to become self-sufficient and had instead become dependent on the generosity of the public to support themselves. In response, the recent reforms swing the opposite direction with government abandoning its duty to provide a minimum standard of living. I argue that neither one of these situations is just, and instead recommend proposals that in light of the recent emphasis on individual obligations, renew the commitments of the state. The reason for this is quite simple, for any contract to be justly executed people who fulfill their obligations can reasonably expect others to fulfill their commitments as well. If one of the parties fails to carry out their promises, the contract is broken and justice is lost. In terms of the welfare state it is important to recognize the demands of justice regarding those who have done everything society asks of them. Quite simply, justice demands that people who play by the rules not be confined to live in poverty. If an individual has done everything society demands of them, then the community has the obligation to provide them with a decent standard of living. The recommendations that I propose are designed to restore the contract between citizens and the state, and among the citizenry, in a manner that creates a just welfare state through the fulfillment of mutual obligations.

Looking back on the twentieth century, one of the greatest achievements in Sweden, the United Kingdom, and the United States was the establishment of the welfare state to mitigate unrestrained capitalism. As we head into the next century fears of the rise of capitalism and the dominance of impersonal market forces are once again beginning to surface. Unlike previous eras however the present
changes transcend more completely the boundaries of the nation-state as capital, labor, and commerce is increasingly internationalized. These changes pose strong challenges to the ability of democratic welfare states to adequately provide for their citizens. However, rather than shying away from these challenges and abandoning their populations, states must devise new programs and policies. Similarly, just as commerce has begun to transcend borders, so too must the social policies of the welfare state. By looking to similarly situated nations, assessing and comparing their programs with ours, we can recreate the democratic welfare state to meet the challenges of this new era.

A commitment to justice demands nothing less.
BIBLIOGRAPHY


Brown, Gordon. Quoted in *House of Commons Debate July 2, 1997. cc 308-309*


-- *New Deal for lone parents to be extended*, DfEE Press Release, April 19, 1998


Freeden, Michael. “The Ideology of New Labour” *Political Quarterly*, Jan 1999 v70 i1 p42(1)


King, Desmond S. *Actively Seeking Work?: The Politics of Unemployment and Welfare Policy*


Olsen, Gregg M. “Re-modeling Sweden: the rise and demise of the compromise in a global economy”, Social Problems. v43 n1 Feb 1996 p1(20.)


Scase, Richard. Social Democracy In Capitalist Society: Working Class Politics In Britain And


