

David G. Mayes and Anna Michalski (eds.)

The Changing Welfare State in Europe: The Implications for Democracy

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The publication of “The Changing Welfare State in Europe: The Implications for Democracy” was made possible by the participation of the Europe Institute of the University of Auckland in the EU funded FP6 project “Reconstructing Democracy - RECON”. The book is a collection of articles written by international scholars examining the transformation of the welfare systems in Europe and beyond since the 1990s and in the aftermath of the global economic crisis. It examines the underresearched aspects of the new welfare systems and highlights their implications for democratic government.

The introductory chapter, written by Anna Michalski and David G. Mayes, examines the characteristics of social policy reform in Europe. The chapter identifies marketization and decentralization of services as the two most prominent trends in the reforms to the European welfare systems. These processes are facilitated through the search for greater efficiency and detachment from direct political influence. However, it remains to be seen to what extent they undermine the principles of democratic government. The authors note that in the last ten years *flexicurity* represents one of the most widely implemented policy reforms across Europe. It combines the activation of job-seekers with the availability of social security. It did not result in the reduction of the overall social welfare provisions but rather constituted the adaptation of the labour market services to the new social realities. At the EU level the fact that social policy remains largely within the national domain produces problems in creating greater convergence. Despite this, the authors conclude that in the last 15 years policy learning in the field of social welfare has been substantial.

In the following chapter, David G. Mayes and Zaidah Mustaffa examine social models in the enlarged EU. Starting from a traditional classification of the welfare regimes in Europe which include the Continental, the

Mediterranean, the Nordic and the Anglo-Saxon variants, the authors claim that in an enlarged EU the neatness of this categorization is breaking down. The boundaries between the various types are blurring with a degree of cross-fertilization. Encouraged by policy learning mechanisms such as the OMC, EU Member States have adopted various characteristics of other regimes producing what could be called hybrid systems. The new EU Member States have faced extreme pressures because of the collapse of the funding mechanisms for the welfare systems. As a consequence, in these countries privately provided support for the health services has been on the increase while the pensions and the health care systems adopted strong insurance elements.

The changing nature of social insurance in Europe is analysed by Katherine Lyons and Christine Cheyne. They claim that Continental and Scandinavian social insurance schemes are most democratic. On the other end is the Anglo-Saxon model where the only way for the individuals to influence their social insurance program is through the possibility of leaving the scheme. Lyons and Cheyne argue that state-run insurance schemes have more elements of democratic governance than the private insurance schemes. In this context they advocate for the EU to advance the concept of Social Europe in order to ensure that the goals of democratic governance are not compromised through efforts to exit the crisis and stimulate growth.

Mark Thomson discusses the need for the democratization of the activation process within the European welfare systems. By examining various national cases the author concludes that private companies which deliver private employment services tend to focus their attention on the most job-ready individuals which undermines the principle of universal coverage of social protection. In order to mitigate the negative effects of such social policies, Thomson advocates policy responses which fully recognise that people have different capabilities and which address the barriers to social inclusion.

As a consequence of the global economic crisis, Tess Altman and David G. Mayes note that disparities grow both between countries and within them, with the rich becoming richer and poor relatively poorer. The case studies show that the processes of marketization, decentralization and

the growing role of the voluntary sector have been accelerated and fostered by the crisis within the global welfare systems. By comparing the democratic tendencies of the social welfare providers', the authors conclude that the state guarantees equity, accountability, transparency and more social inclusion. The market, compared to the state, falls short of these guarantees but, on the other hand, provides more choice. Regarding efficiency, the authors describe the state as cost effective and monopolistic, while they see the market as more efficient and, unlike the states, competitive. Although Europe has adopted many characteristics of the US and a more market oriented welfare system, in the European environment these models have been adapted so that many negative aspects from US practice have been avoided. For instance, following the US example Europe shows a clear trend towards the localization of the welfare systems but the trend towards voluntarism is weaker due to its possible impact on increasing inequality.

The chapter written by Tess Altman and Cris Shore examines the consequences of the privatization of the welfare systems. The authors stress that since the 1980s the world is witnessing the rise of "disorganized welfare mixes" which in Europe results in shifts from the Keynesian welfare model towards free-market approaches. In their view, the principal dilemma of these new approaches is between efficiency and democratic accountability. In other words, can a private organization be trusted to serve the public interest? They present a number of case studies questioning the dominant neo-liberal approach to welfare reform which is founded on the idea that the private sector necessarily provides a better alternative to the excessively bureaucratic public sector. The authors are particularly critical of the US Asset-based community development (ABCD) which in their view increases the tendency to delegate the costs and responsibilities of welfare provision to those communities that are least able to bear them.

The implications of the replacement of the direct government provision of welfare services by expert organizations (quasi NGOs or quangos) which provide services for the government is analysed in the chapter written by David Mayes and Zaidah Mustafa. The authors view this process as a direct threat to democracy since, as a result, the elected officials are responsible for a smaller share of activities, while actions of the quangos

are difficult to influence by democratic means. By examining cases in the UK, Denmark and the Netherlands the authors conclude that quangos bare little or no accountability to elected officials and that there is a lot of public mistrust of their work due to lack of transparency. Moreover, in various cases quangos do not guarantee the reduction of costs for the welfare services.

The last chapter of the book, written by Anna Michalski, discusses democratic governance and policy coordination in the EU. The author criticizes the democratic quality of the Open Method of Coordination (OMC) as the EU's key policy coordination tool in the area of social policy. By referring to the work of scholars such as Fritz Scharpf and Viviane Schmidt she concludes that the OMC leaves out "political conflicts" and "political alternatives" and as such works contrary to the standards of public deliberation. Additional problems with the OMC are seen in the fact that it provides very limited space for the inclusion of all interested stakeholders and that the peer review process in practice does not function properly since participants have clear interest in supporting each other. The second part of the chapter assesses the EU's policy coordination in the wake of the economic crisis. Here, Michalski notes that as a consequence of the crisis with the European Semester, the EU has adopted the framework for economic governance which is more comprehensive, centralized and coercive than before. This framework represents an efficient response to the consequences of the crisis but it risks undermining the ability of national parliaments to effectively influence the framing of national budgets.

The book "The Changing Welfare State in Europe: The Implications for Democracy" comes at the right time. In the EU the economic crisis brought about a greater convergence of the Member State's economic policies and greater financial discipline. This resulted in reduced possibilities for the financing of the national welfare systems. As a consequence, governments in many countries accelerated the processes of marketization and decentralization of welfare services. However, as shown by various examples in this book, marketization and decentralization are not synonymous with reduced costs and greater efficiency. They often cause a reduction of quality as well as an increase in social inequalities. A separate problem are the consequences of these processes on democracy, since businesses and civil society organizations,

as providers of the new services, often do not comply with the standards of transparent decision making accountable to citizens.

However, despite all the criticisms the general conclusion of this book is not that every kind of marketization in the area of welfare is destined to fail. Rather, the book provides evidence that there are no simple solutions and that all processes which reduce the role of the state within the welfare systems need to be carefully prepared, even more carefully implemented and their outcomes must be controlled. The current controversy over the introduction of outsourcing of the side services in the Croatian public sector represents a case in point. Although such reform could reduce costs for the state, it should not be implemented without a detailed implementation plan which would calculate the social consequences of such action. Furthermore, such a far-reaching decision should be taken after lengthy consultations with the social partners as well as a broad public debate with all interested stakeholders. Another general conclusion of this book is the necessity of strengthening the social component of the European integration process. If Europe intends to win greater citizens' support for its actions, then economic policy convergence must be followed by a greater degree of social policy convergence, despite the divergent impacts the crisis had on the individual Member States.

The book "The Changing Welfare State in Europe: The Implications for Democracy" offers its readers with a comprehensive analysis of a crucial topic: the reform of the welfare systems in Europe and beyond. All contributions are written with solid argumentation and as such the book will serve as an important reference point for policy makers and researchers in this dynamic field.

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