

How to cite this paper:

Calu, M. (2023). The Welfare State. Myths and Realities. *Perspective Politice*. Special Issue. 59-66[06].

<https://doi.org/10.25019/perspol/23.16.0.6>

Received: April 2023

Accepted: May 2023

Published: June 2023

Copyright: © 2023 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license.

Article

The Welfare State. Myths and Realities

Abstract: *Social assistance (or the welfare state) is one of the most important characteristics of developed societies, but this institution must be studied in connection with the larger changes that influence in the current economic and demographic context the lives of citizens. Understanding these developments, especially in the phenomenon of aging of the European society, raises complex issues that give rise to questions like “how wide should the state support be to solve the problems of those in need and of the elderly?”, “the assistant state has the appropriate tools to do this?”, “the expectations of citizens met for the state assistance, when they reach the third age are entitled?”.*

This paper aims to explain and clarify the contemporary myths regarding the welfare state as a provider of social and pension services, in relation to the obligation of the state to deliver, to the age of inactive life, pensions and other social aids to their own citizens.

In the first section of the study, we will present an analysis of the historical, economic and social context in which the problem of the pension system in Europe must be located. In the second part, we will address the stakes from the perspective of the debates and policies in the European Union and in Romania regarding the minimum wage level which will ensure a decent standard of living, the public pension systems and the reforms in this field, establishing some landmarks for future public policies and decisions.

Keywords: *aging society; pensions; public policy; social aids; welfare state*

1. Introduction

Discussions about poverty and well-being, about the obligations of the state towards citizens (especially tax payers) in developed countries are full of myths. Many of the myths about poverty and welfare in Europe

have arisen and have been perpetuated since the eighteenth century: for example, the myth that the state owes its citizens not only social benefits, but also the assurance of a certain level of welfare, that the welfare state encourages the dependence of citizens on the public budget, that the unemployed and other socially assisted are the supporters of society,

or that poor people, in order to be discouraged from the “delights” of life dependent on social benefits, they must be sanctioned if they violate the rules that frame them as eligible for periodic payments given by the state. Also in the category of criticisms of the paternalistic sys-

Monica CALU

National University of Political Studies and Public Administration, PhD candidate,
Bucharest, Romania;
monica.calu.21@drd.snsa.ro

tem that completely alters the responsibility of the individual for his own future is placed the theory of the welfare state creator of the poor, a theory advanced by neo-liberalists.

As for the idea of “myth”, it is used in a special way in the social sciences and this concept, in this case, comes to our aid when we want to emphasize the importance of perceptions in framing beliefs and forming trends and policies¹.

2. Brief history of the welfare state

Since ancient times, in developed societies, there has been a long practice of providing sources of subsistence for the helpless and the elderly. If we search the history of the Roman Empire, we will see that until the formation of nation-states in modern times it was the custom to give pensions to those who had served in the army. Later, Cotton Mather, a Puritan minister and author of eighteenth-century New England, proposed that older people “pleased with the retirement which you are dismissed into” (Wikipedia, n.d.). The self-standing welfare state arose to solve the social problems existing at the end of the nineteenth century, when, for the first time in history, the modern state assumed the main responsibility of solving social issues such as unemployment, poverty, disability and old age. Therefore, the welfare state sought to face the social challenges and risks that were previously managed by families, relatives and charities.

Over time, visionary statesmen laid the foundations of stable and regulated systems regarding the benefits regularly provided by the state to elderly citizens, orphans and the unemployed. The “assistant” or “social” state has its origins in the initiatives proposed in Germany during Bismarck’s time. A European comparison of financial social security systems reveals considerable differences, but a general classification into two basic systems is pertinent: the Bismarck model and the Beveridge mode. The first system, created by Chancellor Bismarck, is based on contributions made by tax payers with the express purpose of the funds raised to solve social protection problems. The purpose of the Bismarck system is thus to ensure a standard of living, while the Beveridge system (Anglo-Saxon) aims to ensure a level of subsistence. The result is that the German model (Bismarck) tends to limit the redistribution of benefits between different categories of citizens’ income, while the Beveridge model is based on the redistribution of funds raised. From a technical point of view, the first aims to preserve the standard of living of those who contribute to the formation of the fund on the basis of the principle of contribution, while the second aims to provide support according to a uniform standard. For clarification, we will mention that the Beveridge system bears the name of William Henry Beveridge, who in 1942 presented an extensive report to the British Parliament on social policy. The report contained concrete proposals for the creation of a comprehensive social security system encompassing the integration of forms of social security, the creation of a general health service that would include insurance for accidents at work, the introduction of family care, the maintenance of a high and stable employment rate, and protection against mass unemployment (Franke, 2004). These proposals formed the basis of Britain’s post-war social security scheme. The Beveridge system was based on the general taxes collected and is characterized by the following features: it encompasses the entire population, is financed mainly from the state budget and requires uniform, lump-sum contributions from the entire population. The purpose of the Bismarck system was to solve the problems of poverty and inequality by fostering social solidarity and to increase the efficiency of the economy. The Beveridge system was intended to improve individual security and mitigate latent social risks (population uprisings). This was to be achieved through unemployment, health and old-age insurance.

At the moment, no European state has a purely Bismarck or pure Beveridge system, and over time there have been changes from one model to another, and the differences in individual benefits can be significant. It should be noted, moreover, that social welfare systems emerged and developed as trade union movements and socialist and communist political currents coalesced in the Europe of the industrial revolution.

3. The temptation of welfare provided by the state

In this process, however, something unpleasant happened to the welfare state. More and more, social policies have come to be the producer of precisely the problems that the welfare state had to replace, and the welfare state has been associated with the mythological image of the father who takes care of his children (citizens). Basically they started making choices between working and being stipend. The fear that people will indulge in living only with state aid is, incidentally, one of the recurring themes of the welfare state in the UK. Support for people who don't work has been seen as "... an almost irresistible temptation for citizens to become poor. Predictably, the opinion was born that no person supported by charity should be elevated above that rank he held during the period of healthy and productive life. Every person who lives on charity must descend at least one step below the place he occupied while he was working." These lines were written in 1783 (Porteous, 1783: 1-2).

"A moral problem" unresolved therefore "by the welfare state for all" is that of ensuring through this system only that minimum necessary for subsistence and not for comfort and enrichment, which, instead of dealing with a problem, has led to the perpetuation of poverty and the domination of the entire society through a hard core of power (the state).

Another fundamental problem of the welfare state remains that there is, in fact, no guarantee that the risks it has put in charge of dealing with will be better covered by the state and not by each of us individually or that they will be covered at a satisfactory level. Neo-liberalists, the most critical of the welfare state, even point out that the system creates a captivity in a vicious circle in which the holders of decision-making power regarding the distribution of the state budget take advantage of the inequities created by the competition in the free labour market and turn those who do not have resources out of dependencies on the welfare state, in a mass of voters caught in the net of the temptations of self-sufficient social security, in a cycle of perpetuation of the order established by the paternalistic state. "An addict to the welfare state is not a free man. It will adapt its social behaviour according to the resources it expects from the government" (Luduşan, 2003).

4. The current problems of the welfare state

Since the establishment of the first social security systems, the economic climate and social data in Europe have changed, including from a demographic point of view. This paragraph focuses on social protection in European states and in Romania, which is currently largely of a public nature. After the Second World War, relief and social security services become public social assistance and assistance services. The current social protection systems are increasingly being challenged in several countries: deposits in social security accounts are now maturing and they must prove their ability to support those of the baby-boom generation. In many countries, new proposals are being put forward to introduce a social security system for the long-

term care of the elderly with high life expectancy. On the other hand, in welfare states where the Beveridge model is applied, where the entire population has contributed through flat rates, there does not seem to be a need for explicit additional insurance schemes (private insurance).

The increase in life expectancy has led to the prolongation of inactive periods and dependence on social benefits. Moreover, changes in fertility rates have also affected the financing of the social security system. These mutations were accompanied by a change in the age structure of the population: the share of people over 65 increased and the share of younger cohorts decreased (Calu and Stanciu, 2018). Europe is currently facing an unprecedented demographic challenge, which will increase pressure on social service systems and public finances in the EU. Over the next 50 years, the share of the population in retirement age compared to the share of the working age will double (from four to one, two to one, i.e. two people of working age to a pensioner).

The number of people aged 65 or over compared to those aged 15-64 is expected to double between 2013 and 2060 (OECD, 2019). As a result, many European countries have already begun to reform their pension systems, but that is not enough. As reiterated by the Organisation for Economic Co-operation and Development (OECD) in December 2015 in a study on pension reform in Europe (OECD, 2015), citizens also need to take personal responsibility and contribute more and over longer periods in order to have an adequate retirement income. This situation requires reforms in national pension systems, which some EU Member States have already begun. Part of the solution lies in occupational and personal pension systems that supplement state pensions.

5. National challenges

The positioning of post-communist Romania in relation to the issue of the welfare state and the institutions that defined it is closely related to the efforts to manage in the new realities of the market economy the social protection mechanisms created during the decades of communist organization and to restore a suitable register of reconnection to the values and landmarks of the pre-communist historical period. As for what remained in the collective memory of the Romanian population about the communist period, the myth of guaranteeing the right to work under communism and a paternalistic welfare state are linked in such a way that obedience to one myth supports the other myth and vice versa. In the communist regime, the principle of the right to work was provided for in Article 19 of the 1948 Constitution, and it was ensured “through the organization and planned development of the national economy”. The 1948 Constitution stated in Article 12 that “work is the basic factor of the economic life of the state”, and it is being therefore “a duty of every citizen”, while the state “gives support to all those who work”, including in the form of social benefits.

The right to work as a duty was taken up in the Constitution of the Romanian People’s Republic from 1952 and in article 18 of the Constitution of the Socialist Republic from 1965. However, in the socialist Labor Code of December 1st, 1972, Article 2 speaks explicitly about “the right and duty to carry out useful work for society”, so that Article 7 specifies that “starting at the age of 16, every person capable of work and who does not follow the courses of a school is obliged to carry out, until retirement age, a work useful to society”. It follows, then, that the right to work and the duty to work are inseparable issues. As a fundamental feature of the legislative configuration finalized in 1972, it is noted that the principle of the right to work did not take the form of freedom to work, but that of the obligation to work. In the communist

regime, the right to work was realized as an obligation to work in non-negotiable conditions imposed by the employer.

Submission to the myths of socialism and the welfare state determined how citizens had become dependent on the state and the effectiveness of its intervention. The single and all-powerful party has deepened the mentality of people's dependence on the state, and the sense of entitlement to assistance from the state has weakened the idea of personal responsibility for the citizen's own destiny. Thus, regarding the performance of certain activities it was possible to degenerate into forced labour, for example participation in agricultural campaigns, regardless of the profession. These slippages materialized in the regulating of the longest work week in Europe, to which were added the insignificant salaries (the so-called "remunerations", from which penalties were deducted from the employees in advance if they did not fulfil the work plan established at the central level). In the meantime, there had been a complete degeneration of the unions, which, instead of defending the interests of the employees, acted as instruments of their coercion, and everything was happening in a manner in which the communist conquests in the territory of the welfare state actually entailed certain limitations. The change of regime after 1989 is marked in Romania by the diffuse persistence of the feeling of insecurity in the face of the break from the old system of the planned economy and by the efforts made around the policy of partial preservation of the social benefits system created in the previous decades.

The role of a "welfare state" is assumed by Romania through its very post-Decembrist Constitution. Thus, at Article 47 – The standard of living is shown that: (1) The State shall be obliged to take measures of economic development and social protection, such as to ensure a decent standard of living for its citizens. (2) Citizens shall be entitled to a pension, paid maternity leave, medical assistance in state health facilities, unemployment benefits and other forms of public or private social security provided by law.

Citizens also have the right to social assistance measures, according to the Law. Moreover, the same Constitution promises to provide conditions for the above rights to be granted without discrimination. Thus, in the part reserved for the fundamental principles on which the Romanian State is based (Article 4, Unity of the people and equality between citizens) it is shown that the State is based on the unity of the Romanian people and the solidarity of its citizens. The principle of equality between citizens leads to the conclusion that there is also an obligation of solidarity of the state towards the most disadvantaged, which reduces the relations between the individual and the state to a simple codification of his rights, but is increasingly entering the realm of social and economic rights.

After Romania's accession to the European Union in 2007, the right to a pension and discussions about the need to reform the public pension system have become increasingly important, on the one hand as a result of the constant increase in living standards, and on the other hand as a result of the demographic challenges that lie ahead of us. An adequate level of the public pension, in the light of the rights from the Romanian Constitutions, should meet the following conditions:

- prevent the poverty of the pensioner;
- to ensure a decent standard of living throughout the period in which the pension is received;
- represent a fair level of the replacement rate, calculated as the proportion in which the state pension replaces the income from professional activities. Although by Law 174 14/08/2020 amending and supplementing the Government Emergency Ordinance no. 217/2000 on the approval of the minimum monthly consumption basket, it is explicitly provided that the

substantiation of the minimum wage policy in Romania is made according to the minimum consumption basket for a decent living, there is no correlation between this law and Law no. 17/2000 on social assistance for the elderly and represents an outdated normative act compared to the current situation, as well as to the Law on social assistance no. 292/2011, being necessary to harmonize the three normative acts so as to eliminate the situations of inequity, economic exclusion and the neglect of some fundamental rights to which elderly people are exposed. Even if fifteen years after Romania's accession to the European Union, the average pension ensures a better standard of living than it did before accession, the level of the minimum pension in Romania remains very low from any point of view.

Over the next four decades, Romania will face an unprecedented phenomenon of population ageing. The decrease in fertility rates and the increase in life expectancy will significantly increase the proportion of elderly people in the total population, as well as the percentage of ageing expenditure in GDP, in particular on public pensions and long-term health and care services. According to Eurostat, the population of Romania will decrease to 17.5 million by 2050 (European Commission, n.d.a.).

Regarding the public policy challenges regarding the sustainability of the pension system, Romania is in line with the European trend. The desiderata that decision-makers need to focus on are:

1. ensuring adequate income in old age;
2. ensuring the financial sustainability of public pensions;
3. employment for as long as possible;

The Economic Commission notes, in fact, in the European Semester – Thematic Sheet the adequacy and sustainability of pensions: “The intensification of the ageing of the population over the next three to five decades will amplify the challenge of achieving these three objectives in a few major ways. Reducing cohorts of working-age populations due to lower fertility rates and increased longevity will require adjustment of retirement practices and pension systems in all Member States. With the retirement age of the first cohorts of people born after the Second World War, the impact on the adequacy and sustainability of pension systems is no longer just a distant perspective” (European Commission, n.d.b.).

6. Conclusions. Some landmarks for future public policies and decisions...

The welfare state, initially, was meant to lift people out of poverty. Step by step with the development of the industrialized states of Western Europe, the welfare state has reached extraordinarily generous provisions, granting services of such quality that these countries have become the envy of the world. Governments have discovered, however, that the welfare state cannot lift people out of poverty. Forcing the individual to be in social solidarity with those who are in a position to rely on redistributions from the state budget overlooks the fact that solidarity should act in two senses, through the participation of those who make living from state assistance an end in itself to creating the sources of state welfare. Otherwise, the state will be bribed by those dependent on payments from the state, it will become an all-powerful entity, perceived as a terrestrial God, who might turn against the “non-aligned” citizens, and not as an administrator of resources created by the people for the benefit of the citizen. The dependence on the goodwill of the state could work, in extremis, in such a way that the ordinary cit-

izen would be maintained the conviction that he is “in the hands of the state” and of the officials who distribute the goods and social services, and the purpose of the governors who administer the welfare state would no longer be to develop policies for the social emancipation of the citizens, but precisely to create those situations in which they become dependent on the support of the state.

The welfare state, in its traditional form, is currently being assaulted by a series of economic transformations. Humanity is facing a crisis of globalization, the increase in the share of the service sector (tertiary) in developed economies to the detriment of industrial production that has moved to developing countries. One of the consequences of the economic crisis of 2008, the most recent of globalized capitalism, was the erosion of the middle class that represented the basis of liberal democracy, with the consequence of increasing inequality. Most of the rich states face demographic challenges such as the aging of the population, the change of the traditional family model, migration and technological (digital revolution), high inflation, uncertainties in international markets that produce inequalities and social tensions and geopolitical developments. The welfare state model existing at the moment reflects the mentality of an era about to set in, and without an urgent and comprehensive reform it can no longer correspond to the challenges born from this complex period.

In the absence of reforms, increased inequality and economic insecurity can destabilize the social order and lead to violent populist movements against the entire democratic and capitalist system. Whether we are talking about a medium- and long-term public policy strategy, the sustainability of the public social security and pension systems in the face of the objective of delivering an adequate income to those entitled to receive it should be correlated with complementary policies, which can considerably reduce the pressure on the state budget, on the one hand, measures to increase household incomes through utility subsidies, to increase child benefits, which have played a key role in the last two years in covering the difference between the value of the minimum wage and the cost of a decent living despite the comparatively modest evolution of the minimum wage. On the other hand, and much more importantly, we should have talked about measures related to improving the quality of public services for the elderly and increasing pensions at the rate of wage growth or, at least, inflation. After the health crisis generated by the Covid-19 pandemic, when large masses of people had to resort to the support measures offered by the social assistance systems (unemployment benefits, medical leave, deferrals to pay taxes, emergency funds for business interruptions) we can notice an increase in the dependence of the European citizen on the welfare state. If we consider the expected demographic developments, with the increase in life expectancy and the decrease of young cohorts in the total population, the welfare state must not be transformed into an instrument of manipulating the masses or, worse, an ideological argument, within the reach of left-wing parties or with populist platforms, because the welfare state represents for Europe, implicitly for Romania, a necessity, and not a fad, its destruction means, implicitly, a threat to the stability of today's societies and to the maintenance of the level of development.

Endnotes

1. According to Gerard Bouchard, “...we consider myth as a type of collective representation (sometimes beneficial, sometimes harmful), as a vehicle of what I would call a message – that is, of values, beliefs, aspirations, goals, ideals, predispositions, or attitudes” (Bouchard, 2017: 23).

Conflicts of interest

The author declares no conflict of interest.

About the author

Monica Calu, PhD student at the Doctoral School of SNSPA, was born in Braila, Romania, in 1974, has a degree in Law and a degree in Economics and a master in International Relations and European Integration. She is an independent expert in the Financial Services Users Group at the European Commission, and represents consumers in Insurance and Reinsurance Stakeholder Group at the European Insurance and Occupational Pensions Authority, and in Banking Stakeholders Group at the European Banking Authority. In 2019 she established Consumers United NGO. In 2021 she became a co-founder of the pan-European think-tank Financial Inclusion Europe, located in Brussels. She is also an independent expert member of Finance Watch collaborating on matters of digital society, sustainable finance, and in the issues of financial inclusion of elderly across Europe.

References

- Bouchard, G. (2017) *Social Myths and Collective Imaginaries*. University of Toronto Press.
- Calu, M. and Stanciu, C. (2018) An Insight of the Future – Pan European Pension Product, *Global Economic Observer*. 6(1). Available at: http://www.globeco.ro/wp-content/uploads/vol/split/vol_6_no_1/geo_2018_vol6_no1_art_012.pdf.
- European Commission (n.d.a.) Europe in Figures — Eurostat yearbook 2006-07 EU-25 population. EU population compared with other world regions. Life expectancy and mortality. Families and births. Migration and asylum. Available at: <https://ec.europa.eu/eurostat/documents/3217494/5609869/KS-CD-06-001-01-EN.PDF/ebb28696-2f37-4d37-87c9-e6ac574329c0?version=1.0>.
- European Commission (n.d.b.) Social protection and cohesion. Available at: https://commission.europa.eu/content/thematic-factsheets/social-protection-and-cohesion_en, [Accessed on April 2023].
- Franke, S. F. (2004) *Soziale Sicherungssysteme, Wirtschaft, Arbeitswelt und Globalisierung*, Universität Stuttgart, Diskussionsbeitrag.
- Law 174 14/08/2020 (2020) *Portal legislativ*. Available at: <https://legislatie.just.ro/Public/DetaliiDocument/229146>.
- Law on social assistance no. 292/2011 (2011) *Portal legislativ*. Available at: <https://legislatie.just.ro/Public/DetaliiDocument/133913>.
- Luduşan, A. (2003, July 1st) Statul asistential sau fabricantul de saraci. *Observator Cultural*, no. 175. Available at: <https://www.observatorcultural.ro/articol/statul-asistential-sau-fabricantul-de-saraci/>.
- OECD (2015) Recent pension reforms. In *Pensions at a Glance 2015: OECD and G20 indicators* Paris: OECD Publishing. Available at: https://www.oecd-ilibrary.org/docserver/pension_glance-2015-4-en.pdf?expires=1686979545&id=id&accname=guest&checksum=6248B4DDE400CC580D1CD8913E05E7D8.
- OECD (2019) Recent pension reforms. In *Pensions at a Glance 2019: OECD and G20 Indicators*. Paris: OECD Publishing. Available at: https://www.oecd-ilibrary.org/recent-pension-reforms_451d8676-en.pdf.
- Porteous, D (“A citizen of Glasgow”). (1783) *A letter to the citizens of Glasgow*. Glasgow: Robert Chapman, Alexander Duncan.
- Wikipedia (n.d.) *History of Retirement*. Available at: https://en.wikipedia.org/wiki/History_of_retirement#cite_note-8.