

THE ACTIVE WELFARE STATE

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RESUMO: Este artigo apresenta brevemente um apanhado da evolução tanto do conceito do Estado de bem-estar social como daquele da Seguridade Social, com o intuito de examinar minuciosamente as relações entre seguridade social e os direitos ao trabalho e à uma ocupação livremente escolhida. Alguns casos são então apresentados, com a finalidade de melhor demonstrar a importância de tais direitos para a nova configuração da seguridade social: O Estado de bem-estar social Ativo.

PALAVRAS-CHAVE: Estado de bem-estar. Seguridade social. Trabalho.

ABSTRACT: This article briefly presents an overview of the evolution of both the social security and Welfare State's concepts, in order to thoroughly examine the relations between social security and rights to labor and to a freely chosen occupation. Some cases are then presented, to better show the importance of such rights for the new configuration of social security: the Active Welfare State.

KEYWORDS: Welfare State. Social Security. Labor.

SUMÁRIO: 1. O Estado de bem-estar social; 2. Crise do Estado de bem-estar social; 3. A reação mais antiga: Demolição do Estado de bem-estar social; 4. A reação mais recente: O Estado de bem-estar social ativo; 5. De volta à essência da Seguridade Social; 6. O direito ao Trabalho; 7. E o Direito à uma ocupação livremente escolhida; 8. Existe uma solução?; 9. Como deve-se proceder?; 10. O elemento crucial: o processo de reintegração; 11. Uma conclusão.

SUMMARY: 1. The Welfare State; 2. Crisis of the Welfare State; 3. The older reaction: Demolition of the Welfare State; 4. The newer reaction: the Active Welfare State; 5. Back to the Essence of Social Security; 6. The Right to Work; 7. And the Right to a Freely Chosen Occupation; 8. Is there a solution?; 9. How should one proceed?; 10. The crucial element: the reintegration process; 11. A conclusion.

1. THE WELFARE STATE

I belong to the generation, the first one in the World's history, that has acclaimed the coming of the Welfare State as one of the greatest achievements of mankind since the beginning of time. We witnessed the start of it, which coincided with the end of the second World War, and the strong development of it during the next decades, particularly in the period now known as the "glorious sixties", a period in which the slogans of "economic expansion and social progress" were everywhere. And we also

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witnessed the first and the second crisis of this Welfare State, which are directly linked with the subject of this paper, as we will see shortly.

But first : what is a Welfare State?

Contrary to what one might believe, it is not a State with a certain level of wealth or of economic development, even if that – of course – does help. The definition of a Welfare State has more to do with the *responsibility* of the State. A Welfare State is one that considers it as its duty and as one of its main concerns to *protect the income situation of its citizens*. The instrument by which the State implements this duty and this concern is called *social security*. So one can simply say that a Welfare State is a State with social security. Or in other words: a State can call itself Welfare State insofar as its citizens are covered by an adequate social security system.

Why do we have social security? Is this a fortuitous feature of modern industrialized nations, developed from special historical circumstances, which we could choose not to have? Should we, as some would advocate, do away with it, and revert to traditional forms of solidarity in society? The answer to this is clearly: no. Traditional forms of solidarity have their place and can play their role, but they are not capable of solving the problem of poverty in society. History has demonstrated this more than sufficiently. There is only one structure that can have the capability to really protect the income situation of citizens, that is the State.

The State is by its very nature an instrument of protection. States were created and exist now everywhere in the world, in order to provide to the people such protection as they are incapable of securing for themselves. Originally, this protection was directed against the danger of invasions from outside its borders, and against criminality within its borders. The army, the police and the judiciary are the first instruments of the State. As social and economic development progresses, the protection function of the State extends to other areas: health, education, economic activity, culture. When the State has the means and the capability of doing something for the benefit of the citizens, it immediately has the duty to do it. In the; idle of the 20th century socio-economic development has reached a point – at least in the most industrialized nations – where income protection through social security became a possibility. From that moment on the States didn't have the choice: what they could do, they had to do.

There is a clear paradox about the Welfare State. On the one hand everyone now recognizes the duty of the State to care about the income situation of its citizens. This has been made official by the inclusion in the Universal Declaration of Human Rights (on 10 December 1948) of the Right to Social Security. Article 22 of this Declaration proclaimed that "Everyone, as a member of society, has the right to social security". From that day on, all member States of the United Nations had the duty to provide for a social security system, to protect the income situation of all of their citizens.

But on the other hand, there is reality, which shows that only some 20% of the worlds population are covered by a more or less adequate system of social security, and that about 50% have no social security at all. Practically all countries in the

world appear in ISSA's publication "Social Security Worldwide", but in most of the less developed countries these schemes cover only a relatively small, and sometimes an insignificant part of the population. So for most of the world social security and the Welfare State are a project and a future goal, rather than a reality.

Such is, however, the fate of all other fundamental human rights. The first and foremost of these rights, the right to live, is also not universally respected. All nations protect human life. Murder has been forbidden as long as human society exists. But everywhere people are bombed, shot, stabbed and otherwise killed, in large numbers. It is not because one does not succeed in implementing a basic human right that it should be abolished. It means that greater efforts should be made to do something about it. So be it also with social security.

2. CRISIS OF THE WELFARE STATE

In the other part of the world, where social security is firmly established, it has met with two consecutive crisis waves, giving rise to the question: what type of social security?

The first crisis came, after three decades of steady growth, with the economic crisis of the 1980's. That period was characterized, in Western industrialized nations, by a double phenomenon for which they were not prepared: a high percentage of unemployment and a considerable budget deficit. This was a very difficult situation. All measures governments could take to improve the employment situation would necessarily cost money and increase the budget deficit. And all measures to improve the budget situation were likely to have an adverse effect on employment. The social security institutions were, of course, severely hit, by on the one hand a strong increase in their expenditure, mainly (but not only) in unemployment benefits, and on the other hand by a sharp reduction in their revenues from employers' and workers' contributions and by the impossibility to supplement these revenues from an ailing State treasury. It was clear that the three decades of uninterrupted expansion of social security was over. All governments turned towards reforms to reduce unnecessary expenditure, and to "target" benefits towards the "real" needs.

Now, one generation later, another crisis has appeared. It also has two components: the demographic evolution, and the globalization of the economy. Again, it are two phenomena that both increase the expenditure of the social security systems and reduce its revenue. An ever larger number of pensioners have to be supported by a decreasing number of active workers and their employers. And at the same time the economic activity in the most industrialized countries is threatened by the sharpened competition from countries in other parts of the world, which produce at the same level of quality, thanks to our exported technology, but at spectacularly lower wage costs.

Can under these conditions social security systems in the Western world be maintained at their present level? Many doubt it. The aim of social security is to give people confidence in their means of existence for the future, or at least to reduce their fear for that future. This means that it is essential for people to have confidence in the institution, and in its capability to pay adequate benefits, not only in the near future, but also in the longer term. People who now start working and paying contributions or taxes earn the right to benefits for many decades, possibly extending towards the end of this century.

It appears that not all workers, and not even governments, are convinced that social security will still exist and will still be able to pay appropriate benefits. This fear is clearly enhanced by certain actors from the private sector: employers who are intent to pay as little contributions and taxes as possible, banks and insurance companies, who like to collect as much as possible in investments and insurance contracts. Unfortunately, this fear is further confirmed by international financial organizations, such as OECD, the IMF and the World Bank, who appear to be strongly influenced by neo-liberal conceptions of largely American origin. And national governments add their bit by publishing alarming reports and by promoting reforms reducing pension entitlements and postponing the age of retirement. All of this further undermines confidence in social security.

3. THE OLDER REACTION : DEMOLITION OF THE WELFARE STATE

The neo-liberal theory, to which famously the name is attached of the University of Chicago economist Milton Friedman, and of the former British prime minister Margaret Thatcher, reacted to the first crisis by considering that social security was in itself part of the crisis and had to be reduced to a minimum. Social security would lead to people “installing” themselves into a “benefit culture”. This would undermine the incentive to work, and in this way be responsible for high unemployment. Citizens should be educated to more responsibility for themselves and their families. They should save or take individual or collective insurance to protect their future. They could only turn to the State for help if they became incapable of taking care of themselves and their family by circumstances independent of their own free will.

Thus the tasks of securing the means of existence of the people and of protecting against heavy medical costs should be taken over by private insurance. Private management would be more efficient than a State administration in managing these funds. The State should only provide basic assistance, or “welfare” as the Americans call it.

Not only right-wing economists and politicians think that way. Throughout the world one finds many academics, managers and politicians who are similarly oriented. Criticism of abuse and misuse of social benefits is heard everywhere and reports are written about the inefficacy of the big social security systems. Privatization is very widely advocated as the best remedy to all these evils.

Still, it is a striking fact that much is said and written about it, but that very little has been done in practice about such privatization. In all the most industrialized countries (with the possible exception of the Netherlands) the percentage of GDP devoted to social security has remained the same or has increased throughout this period. The existing systems have not been dismantled. To the contrary: they have been extended and improved and new social risks have been covered (such as the risk of dependency). Not even the long-reigning Margaret Thatcher has been capable of privatizing British social security or the National Health Service.

It is a fact that whatever is said or done the population of our countries remains fiercely attached to its social security. This does not only appear from sociological surveys, in which respondents place the value of social security above that of freedom of speech or religious freedom and other human rights. It also appears very clearly

from their behavior in elections and on the streets, where they show their profound attachment to the institution of social security whenever this comes under threat.

4. THE NEWER REACTION: THE ACTIVE WELFARE STATE

At the time of the second crisis, the reaction took a slightly different direction. It was no longer privatization but activation. One still believed that social security tended to reduce the incentive to work and that people installed themselves into a benefit culture, but one also noticed the existence of “poverty traps” and “unemployment traps”, in which the conditions for benefits were such, that people could not improve their situation by returning to work. It was felt that more had to be done to reintegrate benefit recipients into the labor market, not only to secure the financial future of social security, but also and primarily for their own good.

At the origin of this current of thought one finds the “active labor market policy”, practiced by some Scandinavian countries (Sweden, Denmark) from the late 1960’s. Considering that the best social security for the people was a good job, these countries spent much more than other countries on policies to promote employment: mediation, training, rehabilitation and active measures for the integration of weaker categories into the labor market. They were proud to spend more on these “active” measures than on “passive” benefits for the unemployed. And it appeared to work. These countries had among the highest levels of expenditure on social security in the world, but less unemployment than most other Western European countries.

A theoretical basis for the new approach was provided by the works of such economists as Giddens, Esping-Andersen and Rosanvallon, who proposed a “positive Welfare State” approach, in which citizens would not passively receive benefits, but would be encouraged to reintegrate into the labor market. The principal advocate of this approach was another long-reigning British prime minister, Tony Blair. He considered it as the “third way”, between the political left, who supported the Welfare State unconditionally and the political right who opposed it fiercely. He supported the Welfare State, but he would reform it in the way of an “activation”.

The European Union has in recent years, more particularly under the Belgian presidency led by our then Minister of Social Affairs Mr. Vandenbroucke, rallied this position. In EU speak this is called the fight against social exclusion. In our wealthy region various groups of people are excluded from the main stream of social and economic life, because they find themselves unable to compete in the high productivity economy, or because they are victims of discrimination in various ways. The best way to help these people is not to give them benefits and keep them in their dependent position, but to integrate them into the labor market and into society generally. Vandenbroucke spoke of a “pro-active” policy, which should not only remedy to the situation of the jobless, but which would aim primarily at preventing unemployment by education and training as well as by adaptation of production methods and restructuring of enterprises.

At the European “summit” conference of heads of States and governments in 1997 in Luxemburg the EU started the so-called “Luxemburg process”. This meant that common objectives for employment policies were agreed. The member States

should submit national action plans in order to achieve these objectives. Even if the EU has no coercing power in this area, these objectives and recommendations do produce an effect upon national governments. Nobody wants to be embarrassed by appearing badly in the report of the Commission. All European countries have taken innumerable measures to promote employment opportunities for the unemployed, with special emphasis on such weaker groups as the low qualified, the young, the old, women, foreigners and the handicapped.

At the European summit in Lisbon, in March 2000, the heads of State and of governments made it an official purpose of the European Union to promote what is called in EU jargon “social cohesion”. The summit decided that the European Union would have as its goal for the first decade of the new millennium “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion”. The European Union professed its faith in the “Active Welfare State”. On the one hand it wants to maintain and strengthen the traditional social security systems in order to reduce inequalities and to promote “social cohesion” in society, but that at the same time it wants to improve competitiveness in the global economy, by investing in people by education and training and by promoting employment, not only quantitatively, but also qualitatively, by improving working conditions and incentives to work.

This can be seen as the “European Third Way”, in-between the liberalism of the United States and the socialism of the former Soviet Union and of the remaining communist states. The American society very strongly emphasizes the freedom of the individual to pursue his happiness in the way he prefers. With less collective charges the American economy can provide a higher level of wealth to the American citizens as a whole, but at the price of widespread poverty among certain groups of the population. The enormous differences in the standard of living between ghetto areas and suburban areas in the main cities, and the terrible financial problems of families struck by severe disease without good insurance, are scandals for modern society which we in Europe would not like to accept.

The society of the socialist countries is (or rather was) the opposite: they want to provide the highest possible social protection and the greatest degree of equality in society, but in return for conformity of the citizens with the political and social concepts of the state and obedience to the rules set out by the Party. In such countries it is the lack of personal freedom and of democratic participation of the people in government which is a scandal in our eyes and which we would not tolerate.

The Americans have reasons for their attitude, be it that they are negative reasons. Social protection is expensive. It can be seen as a heavy burden on the economy. According to the neo-liberals – we already mentioned Lady Thatcher Prof. Milton Friedman - this heavy burden will undermine the competitiveness of enterprises and reduce the general welfare to such an extent, that even the poorer groups, who would be protected by the social system, would in the end be worse off. One cannot eat the cake and keep it; the cake must first be baked, before it can be divided. Every attempt to attribute a higher percentage of the cake to the public sector, in order to be distributed to the non-active elements in society is considered by the followers of this

line of thought as an assault on the freedom of the individual to decide on how to use the income he earned for himself, and as an attempt to curtail freedom in society in favour of collectivisation.

But the former communist ideologists of Eastern Europe and some of their contemporary counterparts in other parts of the world considered (and still consider) freedom as a source of social inequality. The stronger elements in society have to be restricted in their pursuit of personal advantages. They have to be brought down to the general average level of working and living conditions, so that all members of society can be assured of a job and of normal living conditions. This to the detriment of the more talented and more advantaged groups in society, who are more able and competent at using political power and social control to their advantage. That is why in socialist societies one is so afraid of freedom, and why reforms in the direction of more individual and political freedom meet with so much reluctance.

In the Europe society we know that freedom can be a source of trouble, but that it is also a source of productivity. Freedom of enterprise, freedom on the labour market, and on the consumer market, free movement of goods, capital and workers bring productivity to much higher levels and make the workers demonstrably better off than they are in the much protected and egalitarian socialist countries. If productivity is high enough it will even permit to increase social protection for the non-active persons and for the marginal elements in society to a higher level than can be attained in collectivist economies. We believe that the increase in productivity because of freedom will offset the higher burden for the economy caused by the social security systems.

We even consider that social security produces freedom by itself. No freedom can be absolute: all freedom is limited by social and economic restraints and by respect for the freedom of others. Social security systems obviously restrict the freedom of earners to spend their income as they like, but they increase to an enormous extent the possibility for non-earners to spend an income and to choose their own life in society.

5. BACK TO THE ESSENCE OF SOCIAL SECURITY

In times of crisis one has to revert to the essence. What is the Welfare State? What is social security? What should it do, and what not?

From a theoretical point of view, social security is a system by which the State provides the best possible answer to the eternal problem of insecurity of the human existence. When the human being is in the active phase of his life and in good shape, he can be deemed to be capable of providing for himself and for his family. It is only when his capacity to work is impaired by some internal or external factor, such as being too young or too old, having an accident or a disease, or being subject to adverse economic circumstances, that his security of existence is in jeopardy and that a solution has to be offered.

This should be related to the definition of health by the World Health Organization: "Not the absence of disease, but a state of complete physical, mental and social well-being". A person can only be described as healthy, when he is fully capable of taking care of himself and of his human environment. If this is not the case, the person is

damaged in his health. Damage to human health is of a different nature from damage to goods. For material damage all kinds of arrangements are possible. For human damage society as a whole has to intervene. That is the role of social security.

What should social security do? In relation to damage, the first thing is prevention. Human damage is misery, which has to be prevented wherever possible. Not only physical damage by accident or disease, but also disturbance in the relation between the person and his work and social environment has to be avoided. Thus clearly the objective of “social cohesion” is fully within the primary objectives of social security.

If primary prevention was not possible, then one should revert to secondary prevention: keeping the damage to be caused by the damaging event as small as possible. The damaged person should be brought back to his undamaged situation as soon as possible. When e.g. a worker has met with an accident, it is not only a matter of providing medical care and replacement income, but to return him to work as soon as possible, so that he can reassume his role as worker and provider. In this sense also it is perfectly correct to emphasize the “active” Welfare State. People should not be maintained in passive receipt of benefits, but encouraged to return to work as soon as possible. And the objective of “social cohesion” goes even further: it is not sufficient to restore a person to his work, one should also restore his relation to his entire human environment, so that he can have as much as possible a normal relation with other persons and society.

Only as a last resort, when primary and secondary prevention have failed, can one justify paying benefits in cash to victims of human damage. In the case of medical costs and of loss of earnings such cash benefits can be an adequate form of repair for the damage. But for all other aspects of damage to the social relations, it can never be a satisfying way of dealing with this. And cash benefits can even go contrary to the objectives of social security. They can discourage the secondary prevention and the reintegration into society.

One observes in reality that people, when they meet with an accident, think immediately in terms of financial compensation. We witness the development of a mentality, which I tend to call “victimitis”: playing the role of the victim in order to obtain the largest possible financial advantage from the accident. Cash benefits in social security, in the same way as financial compensation in private insurance, go contrary to incentives for social reintegration. Victims of accidents (and other damaging events) act very often like football players who have been fouled. They exaggerate the seriousness of the foul, hoping to get the greatest possible advantage from it. In football this is annoying, in real life it is very disturbing.

Cash benefits and financial compensation depend on the degree of incapacity to work, which has to be determined by social security or by the insurance company after the accident. In serious cases, this may take a long time and necessitate the intervention of a number of medical (and other) experts, and possibly a long period of court litigation. All that time the victim has an interest in having the highest possible percentage of incapacity. He will be interested in returning to work and to normal life only when the amount of his compensation has been decided in a satisfactory way. And this despite the fact that the first days after the accident are the most important

ones for rehabilitation. For a successful rehabilitation, the person has to co-operate fully and be motivated to do so. Cash benefits and financial compensation provide exactly the opposite motivation. It is one of the most difficult objectives of the active Welfare State, to react against this tendency, and to motivate people for reintegration. We come back to this point.

6. THE RIGHT TO WORK

There is another aspect to the active Welfare State, it is the Right to Work. The Right to Work has been solemnly proclaimed at the same time as the right to social security, in the Universal Declaration of Human Rights. As the right to social security, it has been included in a number of international instruments and in almost all modern national Constitutions. In our society access to suitable work, by which a person can provide for himself and his family, is considered essential to secure a decent human life. In other words: unemployment constitutes a case of damage to the human person in the same way as accident or disease. The State has to prevent it. When it occurs it has to limit its damageable consequences. And the victim has to be returned as soon as possible to a normal relation with the world of work, so as to be able to exercise his right to work.

Work in our society does not have the same meaning as in earlier times. In primitive societies as they are still found in the world to-day, work is something one finds in his immediate living environment. One cultivates the earth where one lives, one builds or repairs one's house, one constructs or repairs all kinds of tools and objects one needs. The whole family takes part in this activity as best they can. The product of the work will benefit the whole family. Industrialization has changed all this. Work is now organized in large enterprises, sometimes far away from the dwelling of the workers, who travel to and from work. Work and its product are individualized. Workers are hired on a personal basis and have to perform the work themselves. The earnings also are individual. They are lost when the individual is incapable of performing the work. This is exactly the risk social insurance was created to protect.

The big difference is that work, in the industrialized society, is no longer something one does, but something one finds or receives. It has to be organized in an enterprise. This requires technology, financing and management, which normally goes beyond the capabilities of an individual. There may still be some activities that can be done single-handed, in such areas as art, entertainment and some professions. But as a rule our society demands a level of productivity that can only be achieved in a well organized and well managed enterprise. If one wants to work, one has to find an enterprise in which one can be accepted and integrated.

Such enterprises do not spring up spontaneously. It takes serious research, preparation and investment to create an enterprise. There is nothing to guarantee that these enterprises will offer sufficient jobs for all those who want to work in the community. And it would be no less than a miracle if the job opportunities offered in the enterprises would correspond exactly to the expectations and the capabilities of the working population. The world of enterprises is also in constant evolution,

whereas the working population remains relatively stable. Enterprises come and go, grow or shrink, change their products and their methods of production. Nobody can expect that throughout this evolution they will constantly offer to the working population all the jobs they want. And inversely, they will never find in the working population exactly the workforce they need. The invisible hand of Adam Smith will never succeed here.

Hence the importance of a policy of full employment to be conducted by the public authorities. If the government wants to realize the right to work for its citizens, it can not passively wait for the labor market to achieve this. Active measures are needed to steer the labor market in such a way, that the highest possible degree of employment can be realized for the active population.

This is not an easy thing to do. The public authorities don't have many efficient tools to this effect. They can on the one hand adapt the people to the (existing or expected) labor market, by education and training, and by promoting regional and occupational mobility. And they can on the other hand try to influence the offer of jobs, by financial and other incentives in these areas where potential workers cannot find sufficient employment opportunities.

The fact is, however, that all these measures don't produce much effect. Laws and Regulations do not create jobs out of nothing. When the number of jobs remains the same, these measures simply shift job opportunities from one group to another. And when the government creates new jobs, it does this with public money that has to be taken out of the economy somewhere else. As long as there is freedom in the labor market there will be structural imbalances between demand and supply of jobs.

We should not forget the example given by the former Soviet Union. There one had a radical policy of full employment. The whole economy was organized in such a way that everyone could find a suitable job. However praiseworthy such policy may be, it has proved to be fatal in terms of loss of productivity, which has resulted in a general impoverishment of society. This has finally led to the overturning of the communist regime in many of these societies.

Employment policies are and remain very important at the micro level: individual citizens have the right to work. They are entitled to all possible measures to improve their prospects on the labor market.

But at the macro level such employment policies are more questionable. One has to be aware of the fact that policies of full employment can lead to a loss of productivity. It is only by high productivity that the Western industrialized nations can maintain and improve their wealth in the global economy. Social security will always have to provide a good social status to those who can not find employment in this high productivity economy.

7. AND THE RIGHT TO A FREELY CHOSEN OCCUPATION

The Universal Declaration of Human Rights does not only proclaim the Right to work: it adds immediately (and all other similar instruments do the same) the Right to a *freely chosen* occupation.

The freedom of the labor market is one of the essential characteristics of our society. It is one of the essential values constantly defended by the Western world against the socialist regimes, in which this freedom is not respected. At the time of the cold war, the Western nations made certain that at every General Assembly of the International Labor Organization the Soviet Union was condemned for this. But now we should ourselves show sufficient respect for this principle.

Freedom in the labor market means that employers choose whom they will employ, and that workers choose which jobs they want to take. Both are equally important. They are important from an economic point of view, since enterprises will not function properly if they have to work with people they would prefer not to hire, and/or with people who would prefer to do something else. They are also important for society as a whole, since citizens should have the right to undertake economic activities as they wish, in order to realize their potential as best they can. But it is even more important from a human point of view. Not only is work an important part of the normal human life, it determines to a strong degree a person's identity. To identify someone we mention first the name (which also indicates the sex) and the age, and then the occupation (or that of the provider, if the person does not have an occupation). The choice of an occupation is at the same time the choice of an identity, of a situation in human society. It is this freedom of choice that is so important.

Nevertheless, this point is often neglected. In the fight against unemployment one naturally thinks in quantitative terms, in numbers of jobless people and numbers of jobs, as if they were interchangeable. But these are not just numbers. All jobless persons are different, and all jobs are different. If there are 100.000 unemployed workers, it is not sufficient to provide 100.000 job offers. The unemployed and the employment opportunities have to be brought together, and they have to fit. That is far from self-evident. And this becomes even more difficult, of course, when there is freedom of choice on the labor market – which there is and should be.

Many will object that free choice of occupation is, unfortunately, impossible. If a disabled or an unemployed worker is entirely free to choose the most perfect job he wishes for himself, and if he is allowed to turn down any job offer that does not correspond to this ideal, it may take a very long time before he finds employment again, if he ever does. In the mean time, all active workers and their employers have to pay contributions to finance his benefits. They clearly have an interest in helping him to make up his mind. After a while they will want his benefits stopped, if he does not accept a reasonable (“suitable”) offer of employment that is made to him, even if it falls short of his ideal choice.

Here again our society finds it very hard to draw the line between freedom and coercion in the labor market. There can, of course, be no absolute freedom in a philosophical sense. Freedom has to be exercised in the real world. Workers have the freedom to choose only between those jobs that really exist and that are available to them. A person may dream of becoming an astronaut or a formule-1 pilot, but in the vast majority of cases that is not a real choice of an occupation.

But what then is a real or realistic choice? That depends on an enormous number of particular circumstances, involving on the one hand the characteristics and

the work history of the worker and, on the other hand, the prevailing conditions on the labor market. Is it realistic for a dismissed bank clerk to want a part-time job within the school hours of her child? Is it realistic for a person over a certain age to ask for a similar job to the one he was dismissed from? Is it realistic for a former truck driver to search for a job as a salesman? Here again, there are no real answers. Only the future can tell whether these persons were right or wrong in their expectations. The social benefit scheme and/or the public employment agency will have to decide on whether there is a realistic prospect for these persons to find the job they prefer. Any decision they take in these matters is a speculation on the future, which nobody can know.

The problem is a very serious one. It is not an academic question, whether a worker's behavior is considered as "normal" or not, and whether his choice for a future occupation is considered as realistic or not. The answer to this question determines whether this person is treated as a good worker, who was unfortunate to lose his occupation and who should be helped in every possible way to limit the damage, or whether he is considered as a scrounger who tries to defraud the system, and who should be sanctioned in the most severe way.

There is, obviously, no simple and straightforward solution. No measures can be taken to make labour relations into a simple matter, and no procedure can be devised to allow man to look into the future. Does this mean that nothing can be done? Fortunately, it is possible to reform the structure of social benefit schemes in such a way, that these problems can be dealt with in a reasonable way. Complexity and uncertainty will always remain, but at least the system can be changed in such a way, that they are reduced to a minimum, and that they are concentrated in such areas where they are essential and inevitable.

8. IS THERE A SOLUTION?

How can an "active Welfare State" combine a policy of return to work with the principle of freedom of occupation? A solution presupposes that a distinction be made between three groups of people, whose situation is essentially different.

a) Short-term cases

The first group is composed of persons who, after quitting their work, are expected to return to their old job or to find another satisfactory job within a short period of time. These are the everyday cases of illness or accident, and the cases of what is called "frictional" unemployment. This is the easy group, for whom the prospects are good. Their benefit entitlement is easy to manage. Ordinary workers and the general public at large readily identify with these cases and approve of the payment of benefits to them.

b) Medium-term cases

The second group is composed of persons who have lost their employment in such conditions, that their return to work appears as somewhat problematic. They will need reorientation, retraining and other reintegration measures if they want to find a new job in the labor market. These persons may benefit for a first period of provisions made at the level of the enterprise or the industry and/or from short-term unemployment insurance. But after a while they may come to the end of their entitlement under such

arrangements. This is where the classic social benefit schemes have to take over.

c) Long-term cases

The third group is composed of persons who can not reasonably be expected to return to the labor market in satisfactory conditions, within a reasonable time. They are the long term unemployed and the invalids, who normally belong in a pension scheme.

Distinguishing between these three groups will not always be easy. For a large majority of cases it may be plain from the outside to which category they belong. But in borderline cases difficult and delicate allocation decisions may have to be taken. The treatment of persons in each of the three groups is very different. Deciding into which group a person belongs involves as much judgment about the future as deciding on the “realistic” nature of a choice of occupation.

Fortunately, there is no need to make once-and-for-all decisions. People can be classified provisionally in one or other group, and be later changed to another category on the basis of the experience with their case. This could go both ways. People of group 3 could be reallocated to group 2, or from group 2 to group 1, if their situation improved.

At any rate, if these decisions are not always easy, they are at least necessary. They are about the essential elements of the problems with which these persons are faced.

9. HOW SHOULD ONE PROCEED?

a. The short-term cases

For the first group, that of the temporary or short-term cases, all necessary arrangements can be made at the level of labor law and of occupational benefits. The public employment services have no particular role to play, apart from their primary role as mediator between supply and demand in the labor market. This role is not different from that of the stock exchange: it is to make the market as transparent as possible, so as to maximize the chances of all actors in the market to make the best possible deals for themselves.

This group of persons continue to belong to the labor force in their branch of industry, and sometimes in their enterprise. Their situation is governed by provisions in labor law, in collective and/or individual contracts of employment, and in social insurance schemes. The mix of these various arrangements is different from country to country, according to how much of the “risk” of these benefits is left to the individual employer, or shared among employers of the same industry, or among all employers generally.

The rules of behavior governing entitlement to benefits in this group are basically a matter of work culture. They are determined by the normal rules and proceedings prevailing in the enterprise and/or in the (branch of) industry, according to accepted standards of industrial relations. Good examples of this are the French UNEDIC and ASSEDIC in unemployment benefit and the Dutch privatized sickness insurance.

One may observe that the administrative rules concerning “good reason”, “misconduct” or “suitable work”, as laid down by social benefit schemes in most countries, very often go contrary to what is prevailing practice in industry. One has to avoid such a conflict of rules. For this group it are the industry rules that are important. They should be judged by the proper instances according to the practice of industrial relations.

There is no particular need for a social security scheme to take care of these cases. Many such cases are dealt with quite adequately at the enterprise level by guaranteed wages and by dismissal allowances. The already mentioned Dutch sickness benefit scheme and the British redundancy scheme are good examples of how such allowances can be socialized without the intervention of the social security system.

b. The medium-term cases

The second group, consisting of the medium-term cases (or at least of those who appear at the time to belong to that category), is the one that really poses problems to social benefit schemes.

In our opinion, a solution can be found only if these cases are to be treated, from the outset, as cases of *rehabilitation and of reintegration into the labor market*. This is a process in which not only rehabilitation clinics and centers, but also public employment services (or private services contracted to act under the public employment program) have to play an active role, deploying all the techniques and measures at their disposal to achieve the best possible result.

In order to pursue such a policy in a satisfactory way it would be necessary to increase the resources in budgets, equipment and personnel of rehabilitation facilities and particularly of employment services far beyond their present level. Employment services should have specialized departments for various types of economic activity, co-operating closely with the industries concerned. They should have personnel and resources to follow up the reintegration process of all of the hundreds of thousands, or even millions of workers who are out of work after an accident, a disease or a dismissal, from the moment of their stoppage of work to that of their entry into the labor market. They should, in short, be able to do for loss of work what the health services do for the illness.

Such professionalisation of the reintegration into the labor market should take precedence over private job-searching, which is so often forced upon unemployed workers as a way out of their situation. This is a very inefficient way of reintegration. It implies a lot of useless and discouraging effort on the part of the unemployed worker. It causes a huge work load for personnel departments of enterprises. And it offers little guarantee for bringing the right person to the right job. It should not be encouraged, in the same way as automedication is not encouraged in health care.

There can be no doubt about the importance of starting this reintegration process as early as possible. It would be a grave mistake to target such reintegration measures at the invalids or the long-term unemployed, when they have already been out of work for a prolonged period of time. Certainly, those people are most in need of reintegration. But the chances of success of reintegration procedures dwindle away

with every week that the person concerned is out of work. There is not only the psychological effect on the worker of a prolonged period of unemployment and of repeated unsuccessful attempts at reintegration. There is also and more importantly the effect on the attitude and preference of employers, who are very reluctant to hire a person who has been out of work for a long time.

This means that one should not wait till the end of the first period of interruption of work to start reintegration measures. When a worker who is laid off shows the characteristics of becoming a medium-term case, he should be treated from the very first day as a case of reintegration. This should apply even if he still benefits of the wage continuation or other special benefits that are typical for the short-term cases.

c. The long-term cases

If the activities of the public employment services fail to produce a result, the person concerned drops into the third category: that of the long-term cases for whom there is no reasonable prospect of re-entering the labor market at reasonable conditions. They are at least provisionally to be considered as unemployable persons. This classification may be of a temporary nature: conditions may change, and the chances of employment of these persons may improve in the future. People in this category should receive a benefit similar to an early retirement pension.

There has to be a regular checking on the evolution in the situation of the beneficiary. If rehabilitation is possible, this should be undertaken. The conditions for this are comparable to those for the reintegration process of medium-term cases. As with invalidity benefits, a partial return to work with a partial benefit should be encouraged if it is possible. This does not only improve the situation of the beneficiary and saves money for the social security fund, but it also enhances the possibility of a return to work for the person concerned.

And if none of all these measures is successful, and it appears that the person concerned is truly unemployable, then that person should be left to enjoy his benefit in peace. That will be an inestimable gain, both for the person concerned and for the social benefit scheme of which he depends.

10. THE CRUCIAL ELEMENT: THE REINTEGRATION PROCESS

The crucial point in this procedure is, of course, the *design of the reintegration program*. This is, of course, essentially a matter of professional expertise on the part of the employment services. But sufficient attention has to be given to the personal input of the worker in it. The chances of success of the program are not very great if it has to be forced upon the worker against his will.

The employment services have to explain to the worker why this is the best plan for him, and why they believe that it can be successful. They have to convince him about this, and win his agreement for the reintegration plan. This supposes that the plan must be, indeed, designed specifically to meet the needs of this individual worker. Much improvement is to be realized in this respect. Many employment services – as indeed many rehabilitation departments – tend to offer their clients a limited choice of prearranged packages, which do not appear very convincing to them. And in many cases decisions are taken for the worker, without asking his consent.

This is an important matter of principle. One should not forget that reintegration is about the planning of a person's professional life, which is a very important part of his personal life plan. Correct professional treatment of the job-seeker means respect for his own choice of occupation. Here is where the basic human right of free choice of occupation comes to the foreground. A person should be guided carefully towards making a good choice of occupation for himself. He can not be forced to take training for a field of activity which he does not want.

Of course, a benefit recipient can not be allowed to stubbornly obstruct the operation of the reintegration services. He has to give "normal" co-operation to his re-integration process. If a person makes a fantastic and utterly unrealistic choice, such as fashion designer or conductor of a symphonic orchestra, he in fact makes no choice at all. He can in such a case be rightfully oriented towards a different occupation, and he can be threatened with sanctions, including withdrawal of benefits, if he maintains his negative attitude. But even then the choice has to be made according to the best professional practice. The worker could contest the decision of the service if it could be shown that this was not the best possible reintegration program for his case.

The realistic nature of the choice and the correctness of the behavior of the employment services have to be judged in the same way as "normal" co-operation with the employment services. It would certainly be incorrect to let the employment services themselves be the judge of this, since they are clearly a party to the process. This role could, for instance, be played by bipartite committees set up at various levels in industry by the so-called "social partners": the employers' organizations and the trade unions. These are usually the authorities who regulate the operation of the labor market. It seems appropriate that they should also regulate this aspect of it. Ultimately, of course, since we live under the rule of law, the decisions are to be controlled by the social courts.

When such a reintegration program is established and put into action, then entitlement to benefits should no longer be dependent on an assessment of the facts and activities that *caused* the unemployment, but on an assessment of the process to *remedy* it. This would present the enormous advantage of liberating social security schemes from the burden of scrutinizing the behavior of workers, personnel managers, fellow workers and employers in relation to the dismissals, job-quitting, job-searching and turning down of job-offers or of applications which may be considered to cause or to prolong a period of unemployment. Instead, entitlement to benefits would be conditional upon normal co-operation between the person concerned and the employment services under the reintegration program. As long as the job-seeker co-operates in a normal way, he has an undoubted right to benefits. If he refuses to co-operate, and has been warned about the possible consequences, his entitlement to benefits may be limited, suspended or even terminated.

The most important concept in this respect is, of course, that of "normal" co-operation. In this as in every other respect, the concept of normality is very difficult to define. We believe that no definition is possible. The only standard can be of a procedural nature: the "normality" of the claimant's behavior should be judged by an authority in which he can trust, and which can be accepted as competent in this

matter. This should be judged by the same bipartite committees (or similar instances) that have to assess the reintegration programs themselves, and the choice of occupation expressed in them.

One may object that the whole of this reform will bring as much dispute and litigation as we have now. There still will be a lot of interpretation of vague concepts in a complex environment. It is true that the concepts of “realistic choice of occupation” and of “normal co-operation” are not more precise than those of “misconduct” or “suitable work”. And the environment in which they have to be applied and appreciated remains as complex and obscure as it ever was. Many of the appreciations to be made, and certainly those about the realistic nature of a choice of occupation, still involve speculations about the future. So what will we have gained?

The progress will be that the disputes, such as they are, will be *focused on the real issues at stake*: the reintegration of benefit recipients into the labor market and the respect for their basic rights. The social benefit schemes will be liberated of their role of policeman over the past and present behavior of workers in their relations with employers. They will no longer have to sift through contradictory evidence about what really happened around an incident in an enterprise or what was really said at an interview. They will be able to concentrate on what is their real job: give the best possible assistance to workers who are out of a job and who have difficulties at re-entering the labor market. And the decisions about these disputes will be laid in the hands of those authorities who are recognized as competent for the organization of the labor market.

A further advantage of this approach is, that it puts an end to the dual standards of “suitable employment”, which prevail in unemployment schemes in many countries. On the one hand, employment services are very careful to adjust the demand and the supply of labor in the most professional way, but on the other hand the unemployment benefit schemes use pre-established criteria about jobs, which the unemployed have to accept if offered. This is very confusing for the persons concerned. They are sent to the employment office by their unemployment fund, and asked about their abilities and preferences. But at the same time the unemployment scheme wants them to accept jobs, which are not even vaguely related to these abilities and preferences. In other words, in many countries unemployed workers can lose benefit entitlement if they turn down job offers, which the employment services, when acting in a professional way, would not have made to them. It seems to us that much is to be gained by unequivocal and clear standards in this matter. They should be consistent with good professional practice by the employment services.

And another important effect of such an approach would be that it puts an end to the unacceptable discrimination between invalids and long-term unemployed workers, which one finds in most contemporary social security schemes. People identify more readily with invalids, who are considered to be incapable of working, as is certified by medical experts, whereas the unemployed are considered to be capable of working, and are suspected of laziness, unwillingness to work or of moonlighting in the informal economy. But the truth of the matter is that after an initial period, in which the cause of the stoppage of work plays a major role, the situation of persons out of work

becomes very much the same, whether they lost their job by illness or accident or by dismissal. Long-term unemployed and invalid workers are virtually not distinguishable after a while. And their problem is the same: they lost their job by unfortunate circumstances, and they have difficulty in returning to satisfactory employment. They should be treated in the same way and receive the same benefits.

11. A CONCLUSION

Our conclusions are short and clear.

First: it is correct that social security should give people work rather than benefits in cash. It is better for the economy, and better for the people themselves. The core objective of social security is to repair damage to the human person and to reintegrate persons who are excluded from the essential activities in human society. The inspiration of the “Active Welfare State” is fully justified.

We would like to go further. It would be advisable to extend this conception to all forms of treatment of human damage, including work accidents, traffic accidents, tort law and private life and accident insurance. These contribute as much or more to the “victimitis” syndrome as social security, which is often blamed for it.

Second: it is, however, wrong to compel people to accept work they have not chosen. Human beings should not be made instrumental to the social and economic policies of governments. The policies should serve the people, not the other way round. Not even if these policies are absolutely worthy and respectable. The principles of right to work and of right to a freely chosen occupation should be fully honored in our societies.

Three: reintegration of people into the labor market is a complex and difficult process, to which society should devote more attention and more means than it does now. If one wants an “Active Welfare State”, one should invest in efficient employment services much more than is done now. There is no reason why fewer human and financial resources should be devoted to this, than e.g. to health or education, two other fundamental human rights.

Four: a policy of reintegration can only be reconciled with freedom of occupation, by way of *motivation*. The worker should be informed, educated and trained to the point where he believes in his chances to make it in the prospective new occupation. And the motivation process should not be one-sided: the prospective employer also has to be motivated to give the long-term benefit recipient a chance in his enterprise. This personalized, difficult and intricate process of motivation is at the heart of the “Active Welfare State”.