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Restructuring the Mixed Economy of Welfare: Three Modes of Privatization

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Author
Gilbert, Neil

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Neil Gilbert
University of California, Berkeley

Abstract

Since the early-1990s arrangements for social protection in most of the advanced industrialized nations have undergone a series of policy reforms that are restructuring the mixed economy of modern welfare states. This paper reviews several fundamental reasons for these changes and their substantive character, focusing on the increasing role of the private sector in the finance and delivery of welfare state activity. Three basic modes to increase private responsibility for heretofore publicly financed and publicly delivered social provisions are identified, illustrating alternative paths which advance the movement toward privatization. The assumptions and implications associated with these modes of privatization are analyzed.

RESTRUCTURING THE MIXED ECONOMY OF WELFARE: THREE MODES OF PRIVATIZATION

Neil Gilbert

School of Social Welfare
University of California, Berkeley
Berkeley, Calif. 94720

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Since the early-1990s the advanced industrial welfare states among the member countries of the Organization for Economic Cooperation and Development have experienced a wave of welfare policy reforms that have altered the nature of public responsibility for the provision of social welfare. In describing the context of change this paper begins with a brief examination of several demographic and social forces that have created pressures for policy reforms and then reviews the substantive dimensions of the shift in policies introduced by these reforms. The dimensions of change include the heightened targeting of social benefits, an emphasis on work-oriented incentives, and the increasing “privatization” of social welfare. Within this context of change, the paper focuses on the growth of privatization, which takes place through various arrangements between public and private agents. Analyzing a range of these alternative public-

private arrangements the paper develops a typology that classifies different methods of privatization according to three modes of delivery and finance. Within the conceptual framework of this typology, we can identify the various methods and clarify the interaction of public and private agents in the process of privatization. The conclusion offers some thoughts about the role of these alternative modes of finance and delivery in the future course of privatization.

Pressures for Change

Over the last two decades large-scale structural changes involving the demographic shift and globalization of the economy have generated increasing fiscal pressures to heighten the efficiency and lower the skyrocketing costs of social protection in the OECD countries. With the aging of the population in the 21st century, the advanced industrialized member nations of the Organization for Economic Cooperation and Development (OECD) have reached the take-off point of what Lesthaeghe (1995) labels the “second demographic transition.” By 2050 these countries will have an average of 1 ½ workers supporting one retired

person, a precipitous decline from the current rate of 3 workers contributing to the support of one retired person. The rise in one-person households (expected to amount to 40% of all households in Germany by 2030) along with the growth in single parent families and female labor force participation necessitate additional forms of public aid, particularly the provision of daycare for young children (OECD,2012) .

As these demographic developments place additional demands on welfare spending, tremendous fiscal pressures are building on the welfare state—and especially on the younger generation that has to carry the burgeoning costs of an aging population. One example of the escalating demand for social expenditures coming our way is phenomenal costs of dementia care for the elderly in the United States. The price of this care is expected to more than double from $215 billion in 2010 to $511 billion in 2040 (Hurd, Martorell, Delavande, Mullen, Langa, 2013) .

At the same time that upheavals in the demographic landscape of family life are expanding social needs, economic globalization has accelerated the mobility of capital to go where production costs are low. This has heightened competition on the world market and intensified pressures to lower production costs by scaling back labor rights and welfare benefits (Standing, 1999). Following this line of analysis, Scharpf (2000) sees tighter fiscal constraints looming, which entail painful policy adjustments that will be more difficult for the Continental welfare states (e.g., France, Germany, Italy , the Netherlands, Belgium, and Austria) than the welfare states in Scandinavian and Anglo-Saxon countries.

In addition to the economic constraints generated by demographic and market forces, other forces for change have emerged based on increased knowledge about the impact of social policies that has been gained over time and heightened appreciation for the private sector. By the 1990s, after decades of rising welfare and disability rolls, one of the lessons learned involved the unanticipated consequences of social benefits,

particularly their disincentive effects. The idea that generous welfare benefits might inhibit one's inclination to work was at one time criticized by welfare state advocates as "blaming the victim" (Ryan, 1976). However, by the 1990s the idea that generous welfare benefits can produce "poverty traps" or "enforced dependency" was widely accepted in OECD countries (Bradshaw and Miller, 1990; OECD, 1998). One OECD (1991) report goes so far as to note that "dependency traps are an unintended outcome of most social security systems." Finally, the collapse of the command-economy of the USSR give a boost to public faith in the functioning of the private market and consumer choice. Although this enthusiasm for the private market dampened somewhat after the world-wide recession that began in 2007, privatization and consumer choice continue to remain well-received.

Substantive Dimensions of Policy Change

These complex and multiple forces have lent impetus to modifying the central tendencies of policies that guided the

design of the most progressive modern welfare state -- policies which emphasized (1) universal approach to (2) publicly delivered benefits designed as (3) social rights to (4) protect labor against the vicissitudes of the market. As shown in Table 1, which conveys this shift as a movement from the welfare state to the enabling state, the revised framework of social welfare policy reform now accentuates a (1) selective approach to (2) private delivery of provisions designed to (3) promote labor force participation and reinforce (4) social responsibility (Gilbert and Gilbert,1989; Gilbert,2004).

Table 1
Shift in Central Tendencies from Welfare to Enabling State

Welfare State	Enabling State
PROTECTING LABOR	**PROMOTING WORK**
Social Support	Social inclusion
Decommodification of labor	Recommodification of labor
Unconditional benefits	Use of incentives and sanctions
UNIVERSAL ENTITLEMENT	**SELECTIVE TARGETING**
Avoiding stigma	Restoring social equity
RIGHTS OF CITIZENSHIP	**SOCIAL RESPONSIBILITIES**
PUBLIC PROVISION	***PRIVATIZATION***
Delivery by public agencies	Delivery by private agencies
Transfers in the form of service	Transfers in cash or vouchers
Focus on direct expenditure	Increasing indirect expenditures
Public finance	Private finance/PPP

Adapted from Neil Gilbert, Transformation of the Welfare State (Oxford University Press, 2002)

Numerous scholars have analyzed these developments emphasizing various dimensions of the change as well as the overall movement, which Ferge (1966) was among the first to identify as a paradigm shift. By 2013, in a volume that examines the changing landscape of the welfare state Evers and Guillemard (2013:360) conclude that regardless of whether the change is called the social investment state, the active welfare state, or the enabling state, “the welfare state is being remodeled and the founding principles of the postwar arrangement are being transformed… This reconfiguration reflects a change in the

paradigms underlying the postwar welfare state." How different scholars interpret this change varies. Some see it as leading toward a convergence of modern welfare states policies (Lodemel and Moreira, in press; Gilbert , 2002; Kangas, 1994). Although Danforth (2013) finds that Esping-Andersen's (1990) conventional tripartite typology -- liberal, conservative and social democratic regimes – continued to offer a relevant description of modern welfare states up until the late 1990s , by 2000 he observes a different classification in contemporary welfare states. And Ferrera (2013) detects not so much of a convergence as a combination of liberal and social democratic approaches.

Targeted Benefits. In regard to the specific dimensions of change, the increase in policies that target social benefits is described by Sunesson, et. al (1998) as a "flight from universalism." Summing up findings on this trend reported in six countries, Gilbert (2001) notes that policies aimed at narrowing eligibility criteria are focusing benefits on those greatest in need of physical care and psychological attendance. Andries (1996)

describes the move toward means-tested family allowance benefits in Belgium between 1980 -1995 as the method of "targeting within universalism," under which the value of means-tested benefits increased five-fold while the value of non-means-tested allowances declined.

Work-Oriented Measures. Examining the rise of work-related reforms Jessop (1994) and Torfing (1997) depict the change as a move from the welfare state to the Schumpeterian Workfare State. Their analysis contrasts John Maynard Keynes's ideas about the merits of state intervention in the market with Joseph Schumpeter's views on the fiscal limits of taxation beyond which the state would sabotaged innovative activity and entrepreneurial drive. Framed in a more positive light, this development has been widely perceived as a move toward the "social investment" or "active" welfare state (Giddens, 1998; Lister 2013).

Stretching across the political spectrum from Sweden to the United States, work-oriented reforms, such as the Revenu de

Solidarite' Active (RSA) in France, the Hartz Reforms in Germany, the Danish Social Assistance Reforms of 1997 and the Universal Credit in the UK introduced a range of policies designed to move welfare beneficiaries into the paid labor force (Lodemel and Moreira (in press). In Norway the 1992 White Paper on Rehabilitation introduced the "Work Approach" to social policy, which stipulates "that individual rights are not exclusively tied to cash benefits; each individual has, as far as possible, a right and a duty to work, to participate in rehabilitation programs or enter education ..." (Dahl and Dropping, 2001) In Britain the New Labour government's Green Paper on Welfare Reform (1998), which that in charting the future course of the welfare state: "The Government's aim is to rebuild the welfare state around work." In a similar vein, "Work, work, and work again" was the motto of the Dutch purple coalition, which was elected in mid-1990s and initiated the 1996 reform of social assistance (Vink,1998).

Streeck (2007:545) finds these reforms represent “an almost universal restructuring of national welfare states in the direction of investment rather than consumption, re-commodification instead of de-commodification, strengthening ‘employability’ instead of raising workers’ reservation wage, ‘activation’ for the market instead of protection from it.” Similarly Alber (2010) sees the emphasis on activation as “a profound transformation of European social democracy which is of historic proportions.” According to his assessment around the turn of the 21st century the European Labor movement abandoned support of welfare policies designed to de-commodify labor in favor of work-oriented measures to enable people to go participate in the market.

Privatization. Finally the increasing market-oriented approach in the changing balance of public and private responsibility for the finance and delivery of social benefits has been well documented, variously referred to as the “contract state” (Eardley, 1997; Weatherly, 1994) the “Hollow State” (Milward and Provan 1993) the “New Welfare Mix” (Evers and Svetlik, 1993) and more

generally privatization of the welfare state (Gilbert, 2004; Marwell, 2004; Zehavil, 2012). Empirically, the growing role of private financing among the OECD countries was initially calculated by Adema and Einerhand (1998).

At the same time, the trend toward privatization was also quite evident in the increasing role of private providers in the delivery of social benefits. Thus, for example, in Germany for-profit agencies were excluded by law from providing long-term care until the mid-1990s. When a new long-term insurance scheme opened the door to commercial providers in 1994, they jumped at the opportunity and by 2000 for-profit providers accounted for half of all the services and one-third of the long-term care personnel (Alber, 2003). Between 1995 and 1998 for-profit providers in Norway experienced a 10% increase in their share of residential home for children and youth (Slettebo,2000). And between 1979 and 1996 in the United Kingdom the proportion of all public expenditures on personal social services contracted out

to the private sector more than tripled, from 11-to-34 percent (Burchardt, 1997).

Three Modes: A Typology of Privatization

Of course, 1historically many welfare states have been built upon a mix of public and private responsibility for both the finance and delivery of social benefits. Thus, while the English Poor Law of 1601 established the principle that relief of the poor was a public concern of local parishes, in the same year the English Law of Charitable Uses encouraged the expansion of private philanthropy (Trattner, 1999). And 1before the earliest state-sponsored pensions were introduced in Germany, religious bodies organized major welfare associations, such as the Catholic Caritas and the Protestant Diako’nia. With about 800,000 staff, these charitable agencies are among Europe’s largest employers (Alber,2003) .

Although social provisions by private agencies have long been a feature of many welfare states, since the 1990s private activity by both voluntary and for profit organizations has vastly expanded to the point that modern welfare states are in the midst of a significant restructuring of the mixed economy of welfare. 1 This development is advanced by policies that limit the direct role of the state and increase private activity in the financing and delivery of social benefits with the aim of reducing public expenditure and increasing the quality of social welfare provisions (Gilbert and Terrell, 2013). Privatization is accelerating at different speeds along the avenues of finance and delivery. The private financing of social protection is expanding slowly but steadily, while the private sector's involvement in the delivery of publicly funded social provisions has advanced rapidly in many fields.

In examining the alternatives in financing and delivery of social welfare provisions there are three fundamental modes for

increasing private responsibility. As illustrated in Table 2, in each case privatization involves the delivery of social welfare provisions through the private sector via voluntary and for-profit agencies. What varies in these cases are the manner and extent of the government role in financing the social provisions. Within each mode of privatization there are several alternative paths that lead to market-like approaches to social welfare. While these pathways do not exhaust the possibilities, they illustrate a range of methods currently employed in the movement toward privatization.

Table 2 THREE MODES OF PRIVATIZATION

PRIVATE DELIVERY	GOVERNMENT ROLE IN FINANCE: DIRECT SPENDING	INDIRECT SUBSIDIES	REGULATORY METHODS
	VOUCHERS 3RD PARTY CONTRACTS A. Fixed-Price B. Cost –Plus C. Pay for- Performance D. Proxy-shopping	TAX EXPENDITURES A. Business B. Individual PUBLIC/PRIVATE PARTNERSHIP A. Pay for success B. Social impact bonds	PUBLICLY MANDATED PRIVATELY FINANCED BENEFITS A. Daycare B. Insurance/Pension

Direct Spending. Each mode of privatization is distinguished mainly by the way these social services and benefits are financed. At one end we have social benefits that are directly and entirely financed by public funds, but produced and delivered through the private sector. These arrangements include both the use of vouchers and third party contracts for provisions such as work training courses, education, food and housing. Thus, for example,

the Netherlands, France, and Denmark opened the provision of employment services to private providers through third-party contracts, while Germany opted to provide vouchers, which allowed those in need of employment services to purchase them from private providers on the market (Lodemel and Moreira, in press). In the United States public housing that was once offered mainly as a provision in-kind financed and produced directly by the state, has been largely replaced by Section 8 housing vouchers that allow 3.5 million low-income residents to rent in the private market Gilbert and Terrell, 2013). In Sweden families are eligible to receive vouchers amounting to 75% of public education costs, which can be used to send their children to independent schools. Since 1991 the number of independent schools in Sweden has increased five-fold, including more than one quarter of a million people by 2005 (Rojas, 2005). Vouchers are similar to cash benefits in that they promote consumer choice generating market signals that spur competition. Third-party contracts often seek to introduce a market-like approach by the use of

competitive bidding for service contracts among private providers.

Third-party contracts are the most familiar and rapidly expanding method of privatization. This approach directly allocates public funds to contract with voluntary and for-profit organizations for the production and delivery of social services – the process is sometimes referred to as outsourcing. Over the last two decades, for-profit providers have substantially increased their market share of social welfare services. 1 Since the mid-1990s, there has been an avalanche of multi-million-dollar contracts with for profit organizations to provide welfare case management, training, job-search and placements services, long-term care for the elderly, residential services for children, probation services, health care and many other human services. In the U.S. for example, Maximus, Inc. had a total of a $100 million in government contracts for services such as child support enforcement and welfare-to-work activities. Maximus was a relatively small firm

compared to the mulit-billion dollar organizations such as Andersen Consulting and Lockheed Martin Information and Management Services, that sought contracts to operate entire welfare systems including intake and eligibility determination as well as employment and social services (Nightingale and Pindus, 1997).

These third-party-purchase-of-service arrangements can take several forms such as: fixed price, cost plus, and pay for performance (extra profit linked to outcomes) contracts. And there is also a special case of proxy-shopping proposed by Rose-Ackerman (1983), which requires that the for-profit service provider attract a significant proportion of paying customers. These customers serve as “proxy shoppers” for public funders. In this way, government agency’s can use the behavior of private consumers to indirectly monitor the cost and quality of private services. The proxy-shopping proposal draws attention to one of the fundamental issues in third-party contract for service

arrangements. In theory private providers are expected to be more responsive and efficient than public bureaucracies because the private sector supposedly benefits from the discipline of the market economy wherein competition and consumer choice generate efficiency, accountability and innovation which heightens the quality and lowers the cost of services. However, despite efforts to introduce a market-oriented approach to the provision of social welfare, these arrangements simply do not generate the discipline of market exchange. Third-party contracts by their very nature fail to provide the kind of consumer signals that serve to regulate cost and quality in the competitive market. Under third-party contracts, the government as the first-party buyer pays for but does not consume the services acquired; the citizen as second-party, consumes but does not pay for the services received – while the third-party, the for-profit pr1oducer, stands in the highly advantageous position of dealing with a buyer who rarely sees what is purchased and a consumer who never bears the expense.

To the extent that there is any competition in the purchase-of-service process, is usually among voluntary and for-profit contractors vying for funds to deliver social services. Public agency managers responsible for implementing these arrangements are seeking the highest quality of services with the best outcomes at the lowest cost. Their task is complicated by the difficulty of measuring the quality and outcome of many social services that deal with the care of elderly people, preschool children, youth in foster homes, disabled people and psychological provisions for people with mental illness. The cost of social provisions is more readily apparent than the quality. Paying private providers to deliver social welfare services in the United States often can be less costly than the delivery of the same services by public agencies. But, this is not necessarily due to the market discipline imposed by competition and choice. Rather cost savings in the U.S. often reflect the absence of unionized labor in private social welfare agencies, whose

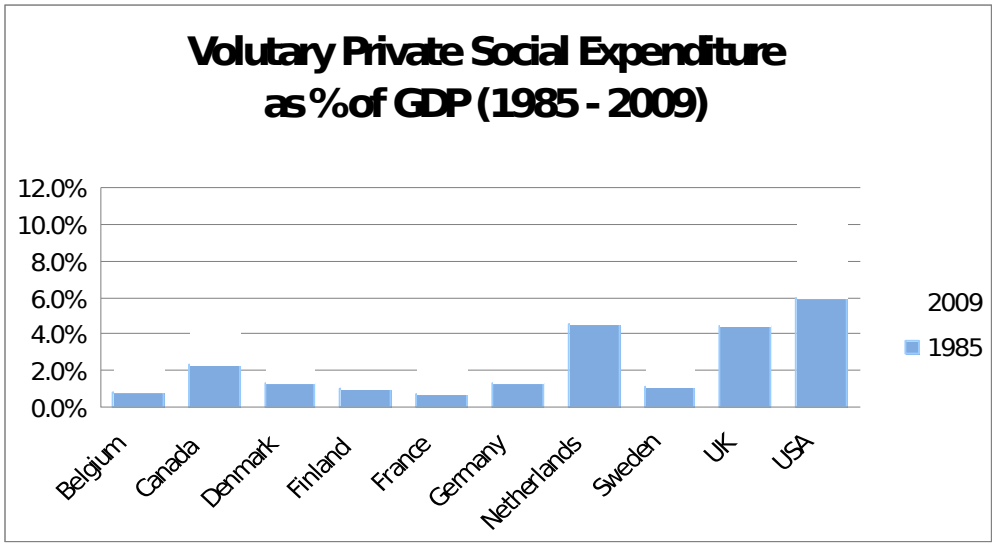
employees command lower salaries and benefits than the social workers in the civil service unions of public bureaucracies. Unlike industrial production, union labor in the public arena of social welfare is largely devoted to providing services that could not easily be outsourced overseas to be performed at a lower cost. Between 1954 and 2003 union membership as a percent of the employed in the United States has declined by almost 60%, most of which was in the private sector. Of what remained of union labor in 2003 only 7.2% of those employed in the private sector were unionized compared to 37% of the public sector employees (Mayer,2004). Instead of being outsourced globally, the production and delivery of social services is currently being outsourced through third-party contracts to the private sector.

Indirect Spending Via Partial Subsidies for Private Spending*.* The mode of privatization based on outsourcing and vouchers is directly financed through government activities of taxing and spending. In contrast, the second mode of privatization

involves social welfare provisions such as health insurance, pensions, housing, day care and rehabilitation services that are financed voluntarily through private payments by organizations and individuals. As Shown in Figure 1

these private social expenditures have been increasing substantially over the last two decades.

Figure 1



However, these private voluntary payments are not entirely a private matter. The government plays an indirect role in these

financial arrangements, which involves partial and compensatory subsidies. This mix of public and private spending on social welfare includes various transactions such as a service that is initially privately purchased by a consumer, who is partially reimbursed later through a tax deduction and a private organization's investment in the production and delivery of social provisions, for which it is later compensated by public funds.

Although Pigou (1930) recognized that special tax deductions and exemptions represent a form of social expenditure, these expenses remained off the ledger of conventional accounting for public spending in the U.S. until 1974. The U.S, was among the first counties to systematically collect and report information on this form of social spending under the label of "tax expenditures" (Surrey, 1974). Today tax expenditures are widely included in the calculation of public spending on social welfare (Gilbert and Gilbert, 1989; Howard, 1999). These expenditures are a way of indirectly subsidizing the private production and delivery of social

welfare through tax deductions, exemptions and credits for private purchases of certain benefits such as day care, housing, employment related private health insurance and old age pensions. They are indirect subsidies in the sense that, for example, rather than the government's taxing a citizen and then sending her a voucher to privately purchase a day care service, tax expenditures provide a credit that subsidizes the private purchase of a day care service after the purchase has been made. In both cases the government has subsidized the citizen's purchase of day care, once directly with tax money that it collected and once indirectly by not collecting tax money it was owed.

Another approach to the public private mix involves arrangements under which a private party or group of private investors initially put up private money to fund the production and delivery of a human service program. If the privately funded program is successful in achieving agreed upon measurable

outcomes, the government reimburses the private parties for their investment including an agreed upon level of profit. These public private partnership (PPP) arrangements, are relatively new and untested in the realm of social welfare. Britain is credited with pioneering this approach with a prisoner rehabilitation program funded by a Social Impact Bond (SIB) in 2010. In 2012 a program aimed at limiting recidivism among prison inmates was launched in New York City, which included Goldman Sachs among its investors. The PPPs are attracting considerable interest, because they shift the large start-up costs and the financial risk of providing a social program from the public to the private sector (Economist, 2013) . Private parties assume this risk, which accompanies the start-up of many private enterprises, -- in the hope of producing a successful program for which they will be rewarded with a profit.

Regulatory Methods*.* Finally, privatization can be advanced when the regulatory powers of government are used to shift the

responsibility and costs of public programs to the private market via legislative mandate. This approach allows governments to address social welfare needs without spending money or raising taxes. Although it has not yet been a widely traveled route to privatization of social welfare the regulatory method has gained use over the last two decades. In the Netherlands, for example, the sickness insurance scheme was privatized in the 1990s, when reforms were introduced that required employers to assume the responsibility of paying at least 70 percent of their worker's salaries for 52 weeks of sick leave before the workers could qualify for public disability benefits (Geurts: Kompier; and Grundemann, 2000). Denmark and Sweden have also mandated increased employer coverage of sickness benefits. In 2005 mandated private benefits for old age and incapacity amounted to an average of 0.7 % of the GDP in 20 OECD countries for which data were available. (Adema and Ladaique, 2009).

Implications for the Future Course of Privatization

This analysis of alternative modes of privatization suggests different ways that government may implement the increasing emphasis on public support for private responsibility in the finance and delivery of social welfare. There is reason to think that the indirect and regulatory modes of privatization will expand more rapidly than direct spending as governments struggle to balance fiscal constraints with the growing demands for increased social expenditures.

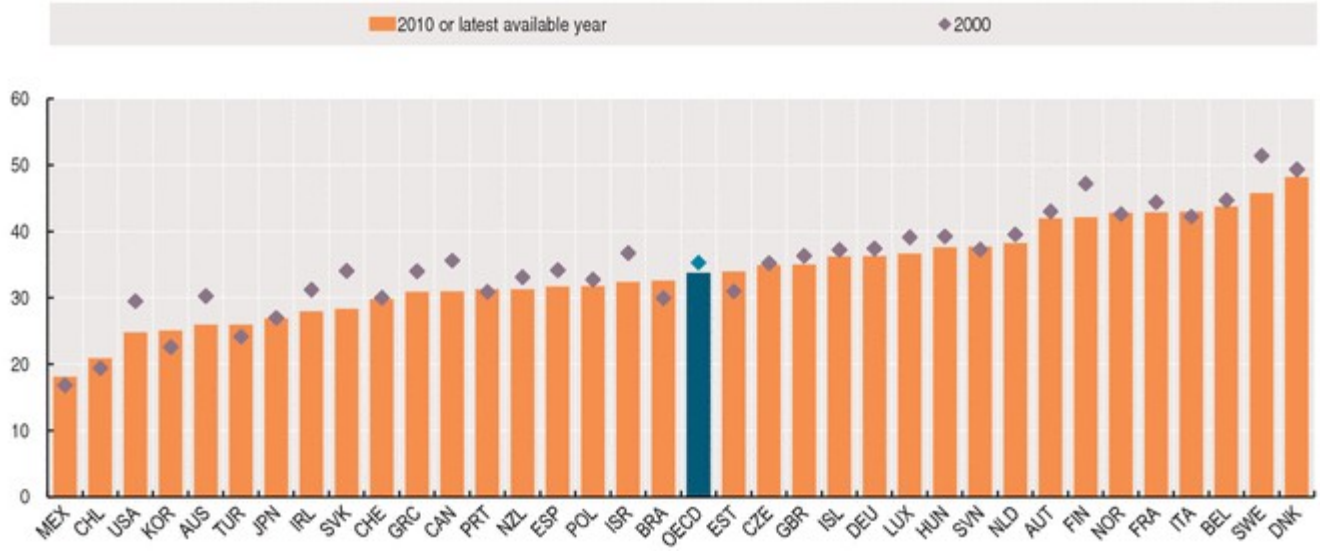
1Direct spending is supported largely by the tax revenues collected by government (though not entirely, since government can also raise money by borrowing). The average tax rates in OECD countries climbed by more than a quarter from 25.8- to-32.8 percent of the GDP over the 15 years between 1965 and 1980. From 1980 to 1997, however, the rate of increase slowed down considerably (and was even reversed in a few countries) creeping up from 32.8- to-36.9 percent of the GDP over 17 years (OECD, 1999). Between 2000 and 2010, the average tax rate as a

percent of GDP for the OECD countries was virtually flat with a slight decline from 35.2% to 33.8%, as shown in Figure 2. (OECD, 2012) Although there is still wiggle- room for some governments to maneuver, the plateauing of taxes since 1980 lends weight to Besharov's (1998) observation that many governments are approaching a tax ceiling, that will be difficult to raise for political and economic reasons. Still for various reasons, not the least of which involve population aging, the states will come under intense pressure to increase social spending.

Under these circumstances policy makers may be inclined to finance the continued privatization of social welfare in ways that involve greater sharing of the costs with private consumers and providers and do not immediately require additional taxes. Indirect subsidies through tax expenditures, partially reimburse private spending for social welfare provisions; public private partnerships shift the start-up costs and risks of failure to private investors. Although the use of the regulatory powers of

government to mandate the private provision of social benefits shifts the cost from government to the private sector, there are concerns that the liberal employment of these measures would raise business costs for employers to the point that they would no longer be able to compete effectively on the global market.

Figure 2: Tax Revenue as % of GDP: 2000 & 2010



Statlink http://dx.doi.org/10.1787/888932710441

Between 1990 and 2009 gross private social spending as a percent of GDP rose from an average of 1.8% to 2.7% ()ECD,2013). As an absolute increase the change is slight, but relatively speaking private spending as a percent of GDP was 50% higher in 2009 (well above the 23% relative increase in direct gross public spending). The turn of the century may mark the beginning of a steeply climbing rate of private spending for social welfare, particularly in the realm of old age pensions. Since 1992 thirty countries have incorporated private individual accounts into their mandatory pension systems, including Denmark, United Kingdom, Italy, Poland, Slovakia, and Hungary (Kritzer, 2005) . In 2001 and 2004 Germany introduced government subsidies as incentives to increase private pensions (Leisering, 2012). The privatization of old age pensions in the United States involves an incremental process tacitly driven by policy realignments of incentives and benefits. Thus, a series of reforms since the 1980s have indirectly shrunk the benefits of social security by increasing the retirement age from 65 to 67 (and there is continued talk of

going higher), raising the employer-employee tax rate and introducing an implicit means test by imposing an income tax on Social Security payments for retirees with a modest level of income from other sources (Steurle and Bakija 1994).

These measures have reduced the lifetime payout of Social Security benefits at all levels of income and the size of the positive net transfers. As the value of public pension benefits has declined, private alternatives have expanded with the advent of individual retirement accounts, Keogh Plans (for the self-employed) and 401K retirement accounts that receive highly beneficial tax treatment (Gilbert and Gilbert, 1989). Between 1990 and 2008, participation in all types of private pension plans increased from 77 to 125 million people (86 million of whom were currently employed in 2008). Over this period there has been a significant shift toward the use of defined contribution plans. Although private pensions were equally divided between defined benefit plans and defined contribution plans in 1990, by 2008 the

number of defined contribution plans had increased to twice that of defined benefit plans. The total assets of all private these plans amounted to $4.7 trillion in 2008 (U.S Census Bureau, 2013). With the growth of private schemes and the shrinking of public benefits, the percent of retirement income from public pensions has declined relative to that derived from private pension plans (Park and Gilbert, 1999). As the elderly come to depend more on retirement income from defined contribution plans, they may voluntarily increase the age of retirement to raise the level of their benefits.

The movement in social welfare pensions toward private individualized accounts and defined contribution plans partially subsidized by favorable tax treatment may be a harbinger of the approach to privatization that will be favored by policy makers in the process of restructuring the mixed economy of social welfare. That is, using tax incentives and partial subsidies as a basic form of public support for private responsibility to achieve financial

independence through increased work effort in the market economy. In the U.S. this approach can also been seen in the increasing growth of the Earned Income Tax Credit (EITC), which uses tax incentives to subsidize low-wage workers. At a cost of $42 billion in 2009, the EITC was the third largest U.S social welfare program targeted at low-income families (Spar, 2011). In the process of restructuring the mixed economy of social welfare to advance public support for increased private responsibility the welfare state emerges more as a handmaiden than a counterforce to the market economy.

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