The role of public sectors in modern welfare states: back seat to centre stage?*

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[Abstract]

Contemporary welfare states have long been ‘in transition’. Since the inception of the ‘welfare state crisis’ argument around the 1970s, various debates on welfare mix have been introduced under the name of ‘mixed-economy of welfare states’, ‘welfare pluralism’, and ‘new public management’. In spite of there being slight differences, recent reforming trends during the last 30 years have been in favour of the role of private sectors whereas the public sector has been regarded as inefficient and less effective. In this context, this paper aims to challenge the conventional view in regards to the role of the public sector in modern welfare states and questions whether the larger public sector has been harmful to the performance of welfare states. Further, it will also discuss under what conditions the public sector of welfare states has performed well. In order to achieve this, firstly this paper will review a range of academic literature on recent welfare reforms with special attention given to the role of the public sector. Then, it will analyse changes in the performance of 20 OECD

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welfare states from 1981 to 2010 using the fuzzy-set ideal type analysis. It will then analyse to what extent and when the public sector enabled the welfare states to perform well, using Fuzzy-set/Qualitative Comparative Analysis. In consequence, this research aims to re-highlight the role of the public sector in modern welfare states and further to argue that the quality of public sectors within welfare states matters beyond simply the ‘size’.

Key words: public sector, welfare states, fuzzy-set analysis

1. Introduction

Since the inception of the ‘welfare state crisis’ argument, various debates on the public-private mix have been introduced under the name of ‘mixed-economy of welfare states’, ‘welfare pluralism’, and ‘new public management’. In spite of there being slight differences across different welfare states, the general reforming trend during the last 30 years has been in favour of the role of private sectors whereas the public sector has been regarded as inefficient and less effective.

While much has been written about how to rationalize the public sector, e.g. ‘quasi-market’, or how to build ‘welfare governance or partnership’, little has been known concerning the performance of the public sector in welfare states in regards to comparative perspectives. Although there were some important studies on the relationship between welfare states and competitiveness or economic developments (e.g. Gough, 1996), few have examined both the size and the structure of the public sector. In this context, this paper aims to challenge the conventional view of the public sector in modern welfare states and questions whether the larger role of the public sector including the role as a provider and financier has been harmful to the performance of welfare states.

In order to achieve the objective, this paper will review a range of academic

1) The public sector in modern welfare states has often meant the provision, finance, and delivery of welfare by the state or other public bodies, but recently the dimension of regulation has been shed light on (Johnson, 1999; Powell, 2007; Leisering 2011). However, this paper will pay more attention to the public sector as a provider and a financier in the welfare state.