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TOWARDS INFORMATION-BASED WELFARE SOCIETY

Abstract

The primary goal of this paper is to highlight the main features of a new approach to governance on the basis of the transformation of welfare states into welfare societies. For doing that, there are shortly explained such notions as welfare, well-being welfare state, welfare economics and welfare society.

Freely circulated and easily accessible information about the performance of all public institutions is a prerequisite of a welfare society. The paper addresses also some questions of indicators and social reporting related to measurement of well-being.

1. Welfare

The notion of “welfare” belongs to those which particularly often are used by politicians and economists. It appears in expressions like welfare capitalism, welfare economics, welfare state, welfare society. The word “welfare” is used very often interchangeably with such expressions as “good life” and “well-being”, but also with “quality of life”.

Very roughly, one distinguishes two different understandings of the term “welfare”, or two different theories about the welfare.

The first of them is called hedonic welfare, welfare is meant as enjoyment or as desirable state of consciousness. According to this theory only the experience of living can affect the quality of life.

The second of these two theories treats welfare as preference satisfaction. Welfare in this second way of understanding coincides with old European tradition, basing quality of living on people’s needs or on their resources.

Theories, mainly of American provenience, treat the concept of happiness as a central element of the well-being. Scholars having deeper philosophical foundations, even those from America, incline more towards preference satisfaction, considering resources as a central element of quality of living. Resources are conceived very broadly, including money, possessions, knowledge, security, physical energy, social relations, capabilities, etc.

2. Welfare economics

In his book on economics V.Ch. Walsh starts by the following declaration:

when I hear the word “welfare”, I immediately think of unattractive women in social worker’s hats, people standing in line for soup in stories of the great depression, and stern busybodies telling one that what one likes “isn’t” in one’s own best interest.

More seriously, the formal foundation of what is called welfare economics is attributed to A.C. Pigou, who published in 1920 the book containing this notion: *The Economics of Welfare*. This theory was based on the concept of utility. In its turn the theory of utility has been developed by many scholars, but traditionally it is attributed, however, to Marshall. Concept of utility became the core of economic theory in the period from 1880s until the late 1930s (see [34]).

The basic postulates (called also axioms) of the neoclassical school of economics are the following three (see [29]):

1. Individualism: all economic phenomena can be explained in terms of the choice behaviour of individual agents.

2. Rationality: all theories of individual choice behaviour can be based on axioms of rationality, *homo economicus* in the sense that to be a rational means to be self-interested (labour-averse) and acting to obtain highest possible well-being for himself.

3. Equilibrium: in explaining the behaviour of groups of individuals can be focused on *equilibrium* states.

Assuming that the market is perfect, complete, and that the rationality is determined by utility functions satisfying some special properties, there are proved two fundamental theorems of Welfare Economics.

The first of them is the so-called *theorem of the invisible hand*. It asserts that every competitive equilibrium is Pareto efficient. In other words: an equilibrium produced by competitive markets will exhaust all possible gains from exchange.

The second theorem says that any allocation on the *contract curve* can be sustained as a competitive equilibrium. This means that for every Pareto efficient allocation there is a redistribution of the endowments such that this given allocation is a competitive equilibrium for a new endowment distribution.

Welfare theory has been drastically modified by Hicks after the Lord Robbins’ attack on the concept of interpersonal comparison of utility. But it is worth mentioning that already Jevons argued that there is no sense to compare the utility experienced by one person with that experienced by another. Utilities are states of mind.

Contemporary stage in the development of the welfare analysis is associated mainly with such names as K. Arrow and A. Sen.

3. Welfare state

The notion “welfare state” or “welfare system” means the protection by the state of all citizens who are weak and vulnerable, especially poor, old, and the very young people.

For the first time the idea of this kind of protection has been realized in Germany by Otto von Bismarck.

All people have the “right to social security” and to an “adequate standard of living” as it has been included in the *Universal Declaration of Human Rights* in 1948. In order to provide social protection, most countries have established some form of distributional systems.

Social security, in a broad view, refers to all social services and rights that reduce social risk both for individuals as well as for whole communities. Social security embraces pensions, health services, education, housing, employment and social services. This kind of security has been provided by a number of governments during the first 50 years of the XX century, particularly in the epoch, more or less, between 1920s and 1970s, which is often referred to as a Fordian period. The last 30 years of this epoch, from 1945 to 1970s, are considered by many writers as “glorious”, or “golden” years. Such a description is justified by the fact that in this period states provided public security to their citizens, mainly in the form of pension systems, health care systems, and education. Social life was based on the firm partnership among government, trade unions and employers. The Fordian “thirty glorious years” were characterised by a mass production that was connected with the mass consumption. In this period existed firmly founded social partnership between government, employers, and trade unions.

4. Post-Fordian epoch

The situation radically changed in 1970s, when due to globalization and technological progress a new ideology won, namely the ideology of pure capitalism.

The epoch of post-Fordian globalization eroded the social fabric of wage economy. The so-called earn work, as the great integrator, has disappeared. Flexible organization of production has weakened and deregulated all social ties and relations. People do not trust much in basic institutions. For example the percentage of people aged 15 and over who trust at least in two of the following national institutions: political parties, national government, national parliament, is given in Table 1.

Table 1. The percentage of people having trust in national institutions

Country	2004	2005
Poland	8	11
Czech Republic	17	16
Slovakia	20	16
EU-15	34	33
EU-25	32	30

Source: [28].

Moreover, states are losing their sovereignty and identity. Growing power of international corporate causes the decline of democratically controlled institutions, like parliaments.

All the basic human institutions are eroding. One observes also the decline of family as the core of the socialisation. The role of the church is becoming more and more marginalized. Traditional human values are replaced by a new one centring on power: Money (*pecunia non olet*), force, struggle (*mors tua, vita mea*), and cynicism (see [8]).

5. Welfare society

The term “welfare society” is quite new, and it is understood as an extension of the concept of welfare state.

In the case of welfare state, as it has been seen from the previous paragraph, it was the government who was responsible for providing welfare its citizenry in the sense of a system of social security and health care.

Welfare state has been considered as a fair institution constituting a form of institutionalized solidarity. Ethical principles were applied by governments in the form of appropriate regulations. The social arrangement was ruled by the observance of the law. In contrast to this, social arrangement in a welfare society is ruled by the voluntary commitments based on the shared values of solidarity and responsibility.

Ethics is treated as a duty, it is probably true that the law separates, and duty integrates (see [28]).

In the case of welfare society the welfare is provided not only by government but also by private corporations, non-profit organizations, charity organizations and another civil cooperatives and associations. In other words, welfare society is a society endowed with the power to take action affecting itself for the sake of its well-being.

Citizenship is not to be confined to voting in elections but it means rather that the citizens have the right and duty to participate responsibly in the various domains of civic life. Citizens have right therefore to control and steer the performance of all

organizations and institutions which came into being of their free will with the scope to function also in accordance with their will.

The role of the state should be to fulfil its responsibility working in partnership with business and civil society. The welfare state became in such a case rather a part of welfare society than the partner. This kind of society means more citizen participation but based on the joint responsibility. The state and civil society organizations have to facilitate better awareness, and above all, more informed citizenry. Welfare society is impossible without transparency and accountability of all domains of human activity. Within the framework of the International Organization for Standards (which has been created as early as 1947) are issued various certifying bodies like ISO 9000 and ISO 14000, and parallelly to them arise different Social Reporting Standards, like SA 8000, AA 1000 or Global Compact, which are treated as models for disclosure information about the social and societal performance of institutions and organizations.

6. Social entrepreneurship

Traditional economic dogma asserting that the purpose of a company is to make a profit should be replaced by a social one: *the purpose of any organization and institution is to contribute to a betterment of human lot*. This was the primary goal these institutions were established for. Profit should remain merely as a mean, never as an end.

A. Lipietz, the member of the European Parliament, has used the term of social entrepreneurs as an essential feature for a current stage of our civilization.

The word “entrepreneur” originated in French economics in XVII century. The primary meaning was to undertake a significant activity and assume the risk of a business.

In the 1980s the terms “social entrepreneur” and “entrepreneurship” were used with the meaning that business principles are unified with social ventures. The most commonly quoted definition of social entrepreneurship was formulated in 1998 by professor of the Stanford University J.G. Dees (see [11]). This definition is as follows.

Social entrepreneurs play the role of change agents in the social sector, by:

- adopting a mission to create and sustain social value (not just private value),
- recognizing and relentlessly pursuing new opportunities to serve that mission,
- engaging in a process of continuous innovation, adaptation, and learning,
- acting boldly without being limited by resources currently in hand, and
- exhibiting heightened accountability to the constituencies served and for the outcomes created.

If one would look for a patronage for social entrepreneurship then there will be no better candidate as Florence Nightingale. She was born in Florence on the 12th of May 1820, and died on the 13th of August 1910 aged 90.

Under her father's influence Nightingale became acquainted with the classic, Euclid, Aristotle, the Bible, and mathematics. One of her mathematical tutors was famous mathematician James Joseph Sylvester (1814-1897). One who deeply influenced Nightingale was genius A. Quetelet, considered as a patriarch of statistics. Nightingale contributed a lot for statistical sciences.

Known statistician E.W. Kopf in 1916 asserted that miss Nightingale's activities in furthering statistical progress were the outgrowth of her deep conviction, expressed in her several papers, that the social and moral sciences are in method and substance statistical sciences. And in several other papers she asserted that statistics were to her almost a religious exercise. She was a founder of the first nursing school, went about reforming the hospital system, and developed modern nursing practices. Nightingale collected data and organized a record keeping system. She invented an original diagram for graphical representation of the mortality data.

7. Social indicators

Social life should override the economic activity which must serve only as a mean.

Economic activity can be easily characterized by a number of indicators, mainly of a monetary type. Social life is characterized by a less-tangible features such as dignity, freedom, personal safety, freedom from fear of harms, participation in civil organization and so on. Democratic functioning of all institutions and organizations is essential for a good social life.

Good living means to have at least the basic goods and services necessary for a decent life. The goods (including services) should be produced. For a very long time people have learnt it is better to establish a division of labour than having everyone doing everything. Division of labour implies in its turn the necessity of exchange. For the performance of these two basic activities, production and exchange, various organizations and institutions have been established.

Citizens have therefore not only the right but they are obliged to control and steer their performances. There are needed therefore appropriate methods of measuring and evaluating institutional performances [28].

Citizens should be considered as an ultimate judge of an institutional performance. This external assessment must therefore supplement traditional internal evaluation.

First efforts for elaborating the appropriate methodology for indicators construction with accordance to this point of view have been undertaken by a number of institutions.

A systematic approach to use statistics and statistical thinking to improve organizational performance was presented in 1999 in the known statistical journal published by the International Statistical Institute. Two years earlier, in 1997, the

Global Reporting Initiative (GRI) was established which incorporates the active participation of corporations but also non-governmental organizations, universities and other stakeholders all around the world.

GRI is dealing mainly with a preparation of reporting standards. Its major mission is providing a trusted and credible framework for sustainability reporting, which can be used by organizations of any size, sector, or location. Transparency of disclosure about the entire performance is one of most important features of that reporting.

8. Examples of social indicators

8.1. BCI – Basic Capabilities Index

The BCI has been developed by Social Watch which was established due to the Social Summit. This Summit took place in Copenhagen from 6 to 12 March 1995, and was organized by the UN as the World Summit for Social Development. Nowadays it is called the Social Summit. During this Summit, for the first time the international community, represented by 117 governments and around 20 000 people from 180 countries, committed itself to the eradication of poverty.

The Social Watch emerged with the goal to influence the position of NGOs in the process of improving the outcomes of the Summit. Social Watch published annually the values of BCI for hundreds of countries. The BCI is defined very simply as the arithmetic mean of the following figures:

- percentage of survived in the first 5 years,
- percentage of those reached the fifth grade,
- percentage of births assisted by skilled personnel.

Formally it is defined as follows:

$$\text{BCI} = (I_1 + I_2 + I_3) / 3.$$

The three basic components I_1 , I_2 and I_3 are explained in the following way.

I_1 stands for a child health, and technically is defined as follows:

$$I_1 = 100 - M,$$

where M is the under-5 mortality rate expressed as percentage.

Index I_1 can be interpreted as a probability of death in the first five years of life (per 1000 live births).

Index I_2 stands for education for children, technically it is defined as the rate of school retention or the percentage of children in the first grade who reach the fifth grade in the required number of years.

Index I_3 represents the reproductive health and is defined as the percentage of births assisted by skilled health personnel.

For the illustrative reason below in Table 2 are listed values of BCI for selected countries in 2007.

Table 2. BCI for selected countries

Country	BCI level in 2007
Chad	43.0
Ethiopia	50.3
Iraq	79.0
Croatia	97.4
Poland	99.6
Czech Republic	99.3
Slovakia	?
Sweden	99.9
Japan	99.9

Source: [4].

8.2. Kekic Index

In 2004, The Economist Intelligence Unit announced it had developed new Quality of Life Index. It has been used to rank 111 countries in the world.

The Economist Intelligence Unit's Index is a composite of the following nine factors:

- material well-being, GDP per person at PPP,
- health, life expectancy at birth in years,
- political stability and security, ratings,
- family life, divorce rate per 10 000 of population, converted into index of 1 (the lowest rate) to 5 (the highest),
- community life, dummy variable taking value 1 if a country has either high rate of church attendance or trade-union membership, and zero otherwise,
- climate and geography, latitude, to distinguish between warmer and colder regions,
- job security, unemployment rate in %,
- political freedom, average of indices of political and civil liberties, scale 1 (completely free) to 7 (lack of freedom),
- gender equality, ratio of average male and female earnings.

The weights for all these factors were determined by the use of regression analysis. This index has been criticized by the ISQOLS community (Table 3).

Table 3. Kekic index

Category scores	Poland	Czech Republic	Slovakia	Sweden
Rank	46	18	41	1
Overall score	7.30	8.17	7.40	9.88
Electoral process and pluralism	9.58	9.58	9.58	10.00
Government functioning	6.07	6.79	7.50	10.00
Political participation	6.11	7.22	6.11	10.00
Political culture	5.63	8.13	5.00	9.38
Civil liberties	9.12	9.12	8.82	10.00

Source: [31].

8.3. Index of Democracy

The Economist Intelligence Unit have developed the index of democracy. This index, scaled from 0 to 10, is based on the ratings for 60 indicators grouped in five categories. These categories are following:

- electoral process and pluralism,
- civil liberties,
- government functioning,
- political participation,
- political culture.

Each category has a rating on 0-10 scale, and the overall index of democracy is the arithmetic average of the five category indices.

The index values are used to classify all countries into four groups:

- 1) full democracy-scores of 8-10,
- 2) flawed democracy-scores of 6 to 7.9,
- 3) hybrid regimes-scores of 4 to 5.9,
- 4) authoritarian regimes-scores below 4.

For the illustrative purpose values of this index for the three selected countries are the following:

- Czech Republic – 8.17 (rank 18),
- Slovakia – 7.40 (rank 41),
- Poland – 7.30 (rank 46).

8.4. Index of Economic Freedom

Dow Jones Company published in 2008 the volume which includes the definition of the index of economic freedom and the values of this index for 162 countries.

Freedom is defined as follows: an individual is economically free who can fully control his or her land and property. The measure of economic freedom has been defined as the sum equally weighted of ten factors, each scored from 0 to 100.

The ten factors are the following:

- 1) business freedom (ability to create an enterprise easily),
- 2) trade freedom (absence of tariff and non-tariff barriers),
- 3) fiscal freedom (burden of government),
- 4) government size (government expenditures),
- 5) monetary freedom (price stability),
- 6) fiscal freedom (banking security, independence of government),
- 7) investment freedom (freer flow of capital),
- 8) property rights (ability to accumulate private property),
- 9) freedom from corruption,
- 10) labour freedom (ability of workers and business to interact).

The values of this index for the selected countries are given in Table 4.

Table 4. Values of the index of economic freedom

Country	Rank	Percentage freedom
Poland	83	59.5
Czech Republic	37	68.5
Slovakia	35	68.7
Hong Kong	1	90.3
North Korea	157	3

Source [30].

9. Conclusions

Recently hundreds of indices characterizing the quality of living have been defined. It was not a goal of this paper to discuss them all critically, but concluding considerations contained in this paper, it would be worth maybe to give a summary of the long lasting debating on the GPD and its alternative HDI in the form of the Table 5.

Table 5. Relation between GPD with HDI

Item	Poland	Czech Republic	Slovakia	Russia	Bulgaria
HDI (value 2005)	0.870	0.891	0.863	0.802	0.824
HDI (rank)	37	32	42	67	53
GDP per capita (PPPUS \$)	13 847	20 538	15 871	10 845	9 032
GDP rank – HDI rank	11	2	-1	-9	11

Source: [21].

The most important factor determining the good life is of course the health, assured by a health system. Without entering into details, let us see some examples of how the health systems act in selected countries. Data are given in Table 6.

Table 6. WHO measures of health

Measures of health system attainment and performance	Poland	Czech Republic	Slovakia	France	USA
1. Health					
a) level (DALE)	45	35	42	3	24
b) distribution	5	19	39	12	32
2. Responsiveness					
a) level	50	47-48	60	16-17	1
b) distribution	65	45-47	63-64	3-38	3-38
3. Fairness in financial contr.	150-151	71-72	96	26-29	54-55
4. Overall goal attainment	34	30	39	6	15
5. Health expenditure <i>per capita</i> in international \$	58	40	45	4	1
6. Performance					
a) level of health	89	81	88	4	72
b) overall system performance	50	48	62	1	37

Source: [36].

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W KIERUNKU INFORMACYJNEGO SPOŁECZEŃSTWA DOBROBYTU

Streszczenie

Głównym celem artykułu jest omówienie podstawowych charakterystyk nowego podejścia do rządzenia państwem polegającego na transformacji dotychczas istniejącego państwa dobrobytu w społeczeństwo dobrobytu. W celu wykazania istoty takiej ewolucji niezbędne okazało się krótkie omówienie podstawowych pojęć dotyczących dobrobytu, takich jak: dobrobyt, dobrostan, państwo dobrobytu, dobrobyt ekonomiczny, ekonomika dobrobytu, społeczeństwo dobrobytu.

W artykule, tytułem ilustracji problematyki pomiaru dobrobytu, przedstawione jest krótkie wprowadzenie w metodologię konstrukcji wskaźników społecznych wraz z wybranymi przykładami.