

# Poverty Relief in a Mixed Economy

Karin Heitzmann

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# Poverty Relief in a Mixed Economy

Theory of and Evidence for the (Changing) Role  
of Public and Nonprofit Actors  
in Coping with Income Poverty



PETER LANG

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Karin Heitzmann



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## Introduction

This study examines, both conceptually and empirically, (i) the welfare mix in the activity field of poverty relief, and (ii) specific shifts of this mix, i.e. changes towards 'privatization' and/or 'marketization'. Thus, two concepts are at the core of this assessment: the 'welfare mix' (as well as changes thereof) and 'poverty relief'. The notion of 'welfare mix' (as well as related concepts such as the 'mixed economy of welfare' or the 'plural economy', which I use synonymously in this book) is widely discussed both in the literature and in political debates. However, it often remains vague what it comprises and its interpretations vary. This also applies to specific shifts of the mix, including 'privatization' and 'marketization'. One aim of this study is therefore to disentangle the meanings of and connect the concepts of 'welfare mix', 'privatization' and 'marketization' with each other. For this purpose, I developed a conceptual framework that captures the fuzzy concepts and allows operationalizing them for an empirical investigation.

The second notion this study focuses on is that of 'poverty relief' or, used synonymously here, 'poverty alleviation'. The main rationale for concentrating on this activity field is the lack of empirical data on this core area of social policy concerning both (i) the prevalent welfare mix as well as (ii) changes towards 'privatization' and 'marketization'<sup>1</sup>. A further objective of this study is thus to examine empirically both the characteristics of the contemporary mixed economy of poverty relief as well as recent shifts that qualify as 'privatization' and/or 'marketization' in this activity field. Not least, this allows examining in how far the framework developed is able to assist in such an empirical assessment.

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<sup>1</sup> Studies on the 'mixed economy', on 'privatization' or 'marketization' have focused on a variety of social policy areas, such as social care (Wistow *et al.* 1994, Ascoli and Ranci 2002c), care for the elderly (Evers and Svetlik 1993), pensions (Holzmann and Heitzmann 2002: 514f, Weller 2006), health care (Newman and Kuhlmann 2007), and many other social services (O'Higgins 1989, Smith and Lipsky 1993).



The empirical part of the study focuses on Austria. In this country, mainly two types of organizational actors, namely public agencies and nonprofits, provide poverty alleviation. Thus, I examine the roles and contributions of these two types of providers only<sup>2</sup>.

This introduction proceeds as follows: Section 1 illustrates the empirical relevance of the topic, thereby introducing the concepts that are at the core of this study. Section 2 clarifies the theoretical and empirical research questions. Section 3 finally explains the research approach adopted and outlines the plan of this book.

## 1. Background

*Per capita* welfare state expenditures have risen in real terms in almost all European welfare states from the 1980s onwards (e.g. Castles 2004: 24ff, Eurostat 2008). This expansion is to some extent the result of new needs and the related introduction of welfare state programmes (e.g. care for the elderly, see Österle 2001: 89ff). Moreover, changing demographic (e.g. increased life expectancy) and socio-economic structures (e.g. altered family formations, enhanced labour market problems) have led to an increasing demand for statutory social security<sup>3</sup>. Despite these developments, several pressures call for a reduction of public expenditures (e.g. Bonoli *et al.* 2000: 2). For example, there is concern that rising fiscal costs might threaten the very sustainability of welfare states. High social security contributions are viewed as significant obstacles for competitive economies, and thus for economic growth. Moreover, neo-liberal attitudes towards the 'proper' role of the state in society, which are prominent in many contemporary European governments, are characterized by a general suspicion against 'too generous' state welfare.

Owing to these developments and attitudes, welfare states throughout Europe have been subject to reform, restructuring and/or retrenchment in recent decades. Many routes have been chosen to reorganize the provision of welfare. One of these strategies includes the '**privatization of social security**' (Burton 1987, Gurin 1989, Kamerman and Kahn 1989, Feldstein 1998, Kotlikoff *et al.* 1998, Kotlikoff 2000, Fullerton and Geruso

<sup>2</sup> On the role of informal actors and for-profit companies in poverty relief, see Section 1.2.2.

<sup>3</sup> The terms 'welfare' and 'social security' are used interchangeably in this book.