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## Getting People into Work: What (if Anything) Can Justify Mandatory Activation of Welfare Recipients?

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## Getting People into Work: What (if Anything) Can Justify Mandatory Activation of Welfare Recipients?

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# Getting People into Work: What (if Anything) Can Justify Mandatory Activation of Welfare Recipients?

## Abstract

So-called activation policies aiming at bringing jobless people into work have been a central component of welfare reforms across OECD countries during the last decades. Such policies combine restrictive and enabling programs, but their characteristic feature is that also enabling programs are mandatory, and non-compliers are sanctioned. There are four main arguments that can be used to defend mandatory activation of benefit recipients. We label them efficiency, sustainability, paternalism, and justice. Each argument is analyzed in turn and according to a strict scheme. First we clarify which standards it invokes. Thereafter we evaluate each argument according to its own standards. Finally we introduce competing normative concerns that have to be taken into account. In the conclusion we discuss possible constellations of arguments that make up the normative space for activation policies.

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# 1 Introduction

The welfare state redistributes income from wage earners to individuals without jobs. Among the benefit recipients are individuals with an ability to work or who could be enabled to work, at least part-time. This is the target group for the activation policies that have been a central component of welfare reforms across OECD countries during the last decades (Gilbert, 2002; Pascual and Magnusson, 2007; Paz-Fuchs, 2008; Kenworthy, 2010).

Activation policies aim at bringing jobless people into work in order to promote economic self-reliance. Activation programs typically combine restrictive and enabling measures (Eichhorst et al., 2008). They impose behavioral requirements coupled with potential sanctions, such as reduction of benefits or their duration and stricter eligibility criteria. The more constructive, enabling measures include job search assistance, counseling, training schemes, employer subsidies, etc., as well as provision of more individualized support through case management. The relative importance of negative (restrictive) and positive (enabling) instruments varies over time and also between nations (Eichhorst and Konle-Seidl, 2008).

A characteristic feature of activation policies is that enabling programs are also mandatory, and non-compliers are sanctioned. Hence, these policies encompass mutual obligations: “On the one hand, benefit recipients are obliged to accept employment options or training schemes in order to receive benefits while, on the other hand, the state has the obligation to enhance the employability of benefit claimants” (Eichhorst et al., 2008:6–7; see also OECD, 2004:11). When benefits are conditional on employment-oriented activities recipients are placed in a “throtter” situation where a threat is conjoined with an offer: either they accept the offer, e.g. work training, or they reject it and will have their benefits reduced or revoked (Goodin, 1998; see also Lødemel and Trickey, 2001). It is this conditionality of the benefits that makes activation policies controversial; the underlying notion that work is preferable to welfare is not very controversial.

This paper examines reasons for activation policies. We identify four types of arguments that can be used to defend or promote mandatory activation of the un- or under-employed.

We label them efficiency, sustainability, paternalism, and justice. The first two arguments justify activation policies by referring to the desirable collective outcomes they bring about. The third argument refers to the benefits they generate for the persons being activated. As we will see, fairness concerns can be raised against these three arguments for mandatory activation. Arguments from justice can, however, also support mandatory activation of benefit recipients. Such arguments are deontological and refer to what we owe each other as citizens.

Each argument is analyzed in turn and according to a strict scheme. First we clarify which standards it invokes. Thereafter we evaluate each argument according to its own standards. Finally we introduce competing normative concerns that have to be taken into account. In the conclusion we discuss possible constellations of arguments that make up the normative space for activation policies.

## 2 Preliminaries

Consider a population of individuals in working age, between 16 and 67 years. Divide this population into subgroup  $W$ , containing employed persons who can provide for themselves and for others, and  $B$ , containing persons who receive out-of-work benefits:  $P = B + W$ .<sup>1</sup>

A fraction  $f$  of those currently employed will within a time interval loose their job; they move from group  $W$  to group  $B$ . In the same time span a fraction  $q$  moves the other way, from benefits to work. The change in the number of benefit-dependent individuals is therefore given by  $\Delta B_t = fW_t - qB_t$ . The fact that we do not time-index the transition probabilities is a simplification. In real economies the probability of loosing and finding jobs varies over time. We ignore business cycles and focus on a steady-state situation determined by  $\Delta B_t = 0$ , which gives a dependency rate of  $b^* = f/(f + q)$ . The fraction of individuals who depend on welfare benefits due to lack of ordinary work is determined by two transition probabilities.

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<sup>1</sup>This is a simplification; in reality there are individuals who do not work and do not receive benefits from the state. They are either provided for by family members or living off their own wealth. In addition, some of the population in working age will be undergoing education.

Activation policies may affect both of them.

The employment status of a person, whether he belongs to group  $W$  or  $B$ , is partly determined by factors that are beyond individual control. An individual's circumstances consist of personal and impersonal factors that affect the likelihood of getting a job. Physical and mental health are personal resources that impact on productive capacities. Dworkin denotes such resources as a person's "wealth talent"; "his innate capacity to produce goods and services that others will pay to have" (Dworkin, 2002: 323).

In addition to circumstances, the employment status also depends on choices, and choices depend on individual ambitions and on the energy and discipline individuals can mobilize to realize their long-term goals. Choices matter for attaining and retaining ordinary work, but also for acquiring the kind of skills that are demanded in the labor market. While the wealth talents of a person are innate, what we will call wealth skills are to some extent, and in varying degree between individuals, malleable.

A coarse but useful typology based on the distinctions made above notes that the probability that a person moves from work to benefits or from benefits to work depends both on fortune (can or cannot work) and motivation (will or will not work). Those who cannot find work have wealth skills (productivity) below the going minimum wage in the economy. Their employment status does not depend on their work motivation. Those who can but will not work have wealth skills above the minimum wage but have a reservation wage that is even higher.

Separating the *cannots* from the *will nots* is useful also when considering engagement in enabling activation programs (training, counseling, etc.). Some of the benefit recipients will be able to raise their wealth skills above the minimum wage by participating in activation programs, but they are not sufficiently motivated to do so (they would not engage in these programs if participation was voluntary). Others with low labor productivity (low wealth talents) benefit less from activation. Table 1 summarizes the different alternatives.

**Table 1.** Types of benefit recipients

	will	will not
Can get work without “training”	$B_1$	$B_3$
Can get work with “training”	$B_2$	$B_4$
Cannot get work	$B_0$	

Group  $B_1$  consists of benefit recipients who are “employable” and willing to work; their current labor productivity is higher than the minimum wage and their reservation wage is not higher than their productivity. They are temporarily out of work due to external circumstances. Another group of individuals ( $B_0$ ) receiving out-of-work benefits cannot, due to personal and impersonal circumstances, get ordinary work; their motivation does not affect their employment status. They cannot get work even if they are activated in every thinkable way. Those in group  $B_2$  need training, counseling, and other types of assistance to upgrade their wealth skills in order to get a job, and they want to participate. There are also individuals ( $B_4$ ) who need an upgrading of their skills but are unwilling to do so (due to lack of motivation or discipline). Finally there are individuals who have the qualifications needed to get work but lack the will to take a job ( $B_3$ ).

An important preliminary observation is that it is impossible to justify mandatory activation if none of the benefit recipients are of the “will not” types, that is if  $B_3$  and  $B_4$  are empty. One may still discuss the benefits and costs of offering publicly supported activation programs to persons without ordinary work, but there are no reasons for making such programs obligatory. Hence, any argument in favor of mandatory activation presumes that among the benefit recipients there are individuals who are either unwilling to participate in voluntary productivity enhancing programs or who are unwilling to search (hard enough) to find ordinary work.

From this observation it follows that if welfare providers can observe perfectly which

group a benefit recipient belongs to, then mandatory activation should be targeted to those in  $B_3$  and  $B_4$ . Perfect targeting is, however, illusory and with imperfect “type information,” mandatory activation programs may miss their targets in two different ways: (i) activate persons that are futile to activate because they cannot get ordinary work (activate  $B_0$ ) or (ii) activate persons who need not be forced to participate in the programs (activate  $B_1$  and  $B_2$ ). The first mistake raises important fairness concerns, while the second may reduce the cost-effectiveness of mandatory activation (due to lock-in effects of activation). In our analysis we show that the legitimacy of mandatory activation depends critically on the fraction of will-nots among the welfare recipients.

## 3 Efficiency

### 3.1 The argument

An efficiency argument in favor of mandatory activation builds on two premises. It presumes that obligatory participation in activation programs enhances efficiency (in a manner made clear below), and it presumes (often tacitly) that this fact makes it legitimate to condition welfare benefits on participation.

The efficiency of policy programs is appraised by comparing their (expected) benefits and costs. The potential benefit of activation policies is that fewer individuals will claim welfare benefits. Thus, an efficiency argument in favor of mandatory activation requires that some of the welfare claimants can, if they are activated with incentives and training, get ordinary employment (not every welfare claimant belongs to  $B_0$ ). In addition, efficiency requires that the costs of running activation programs, both for the recipients and for the society at large, do not outweigh the gains that come from moving some of the benefit recipients (faster) into ordinary work.

The most obvious way activation policies can reduce the benefit dependency rate ( $b^*$ ) is by speeding up the transition from benefits to employment. The probability that a person



who is currently receiving welfare benefits manages to get ordinary work within a period of time depends on (i) the employability of this person, (ii) his or her job search intensity, and (iii) his or her reservation wage (the minimal wage required for accepting a job).

Positive, enabling activities are designed to enhance the wealth skills of the unemployed and make them more attractive to prospective employers. The reason for making the programs mandatory must be based on a presumption that there are individuals lacking the will to participate. In addition to this “intended” effect, activation programs of the positive, enabling type may also have an indirect impact on the search intensity and reservation wages of those currently on welfare benefits.

Requiring the jobless to participate in competence-enhancing policy programs diverts their time and energy away from searching for ordinary work. This is the so-called “lock-in effect” of activation (Van den Berg et al., 2004). The lock-in effect would not be an issue if welfare providers could discern the type of the recipients, in which case  $B_1$  would not be forced to participate in the programs. The intensity of job search depends, however, not only on available search time but also on the recipient’s motivation to find regular work. A jobless person may search harder to find ordinary work when exposure to mandatory training is the alternative. Intensified search and a lowering of the reservation wage may be a side effects of enabling activation programs, due to the fact that they confiscate leisure time; but they are, however, the main reasons for imposing negative, restrictive activation measures. Conditional support and sanctions are used precisely to motivate welfare recipients to find ordinary work.

The incentive argument—the claim that activation may motivate the jobless to search harder for ordinary work and be less picky with respect to which job they accept—may also be relevant for the transition from employment (or education) to benefits (may reduce the probability  $f$ ). If mandatory activation programs make it more unpleasant to be a welfare recipient, those currently employed may strive harder to keep their jobs.

If activation programs have the incentive effects discussed above (making employable

benefit recipients more willing to take jobs, and those with jobs more motivated to hold on to their jobs) they improve the targeting of benefits to those who are “really needy,” that is, those that are genuinely unable to find ordinary work (individuals in  $B_0$ ). Besley and Coate (1992) study the targeting effects of an extreme version of activation, namely workfare. In their setup, two types of individuals may claim benefits: the truly needy and those pretending to be needy (the benefit recipients consist of  $B_0$  and  $B_4$  individuals but the government cannot separate these groups). Besley and Coate show that workfare can be used to target benefits to the needy (to  $B_0$ ) since they assume the personal costs associated with activation (workfare, in their case) are higher for the pretenders than for the really needy.

To assess the overall effectiveness of activation programs we have to compare the benefits with program costs. There are two types of costs associated with activation policies. First, launching and running these programs requires resources. In addition, activation programs may impose financial costs on those who receive welfare transfers by requiring them to spend time and resources to participate in the programs. We should also take into account the possibility that activation programs are considered to be a hassle for some of the participants, that is, that mandatory participation in activation programs will lower the well-being (utility) for some individuals.

Having identified both the positive and negative effects of an activation program, the next step is to specify an overall objective that trades off the benefits and costs so as to reach an overall conclusion about its desirability, or cost-effectiveness. Economists commonly apply the Pareto criterion to assess the efficiency of policy interventions. That criterion declares an intervention “efficiency enhancing” if it increases the well-being (utility) of some individuals without reducing the well-being of others. If activation policies reduce the benefit dependency rate ( $b^*$ ) by making the unemployed more employable (increasing their skills and motivating them), those policies may well be efficiency enhancing according to the Pareto criterion. If mandatory activation of benefit recipients serves chiefly to screen or discipline individuals (reduce moral hazard problems), it is very hard for the programs to pass the Pareto criterion.

Unless one is willing to make very specific assumptions with respect to heterogeneity in the disutility individuals experience by participating in activation, or in their assessment of ordinary work, using activation programs as a stick automatically violates the Pareto standard: To enhance economic self-reliance and reduce welfare budgets one must reduce the well-being of the incorrigible needy (Kreiner and Tranæs, 2005).

In Besley and Coate (1992) the welfare planner’s objective is to minimize the aggregate amount of welfare benefits, subject to a constraint that the welfare recipients receive a minimum income. This is equivalent to maximizing the support to the unemployed for a given aggregate welfare budget. This objective ignores the costs (utility loss) individuals experience when they are forced to participate in an activation program and is therefore more lenient than the Pareto criterion. Measured against this standard, activation (workfare in the case of Besley and Coate) will be cost-effective when there are (relatively) many “pretenders” in the population (when the  $B_0$  group is small relative to the  $B_3$  group). One could argue that even though workfare, or labor activation programs more generally, may be deemed cost-effective according to the standard used in Besley and Coate (minimize the benefit dependency rate for a given level of transfer to each non-working person), it may not pass other evaluation standards (fairness, for example). We return to these objections after a brief examination of the empirical work on activation policies.

### **3.2 Are activation programs cost-effective?**

The empirical literature on the impact of activation programs is vast (see Card et al., 2010 for an overview). The question typically addressed is: Do activation programs enhance the transition from welfare benefits to ordinary work? Or, in slightly more refined versions: Do such programs reduce the time it takes until a benefit recipient gets ordinary work? Do they improve the quality of the match once there is a transition from benefits to regular work? To our knowledge, when assessing the “efficiency” of the programs, no one has included the administrative costs of running mandatory activation programs or the personal costs the

programs impose on the participants .

But even the partial question, focusing only on the potential benefits of activation, is hard to answer. Uncovering the causal effect of labor activation on benefit dependency, or on some other relevant outcome, calls for a credible control; we must contrast the actual outcome of program participants with what would have happened had they not participated in the program. As it is impossible to observe the outcome of an individual both as a participant and as a non-participant, any practical impact assessment must use information on non-participants as a comparison. The difference in outcomes for participants and non-participants will, however, not reveal the true program effect if participants and non-participants are sampled from different populations (see Heckman et al., 1999 for a thorough discussion of the challenges associated with measuring the impact of labor activation programs). In addition to the econometric identification issues sketched above, another challenge is that activation programs may affect the employment outcomes of non-participants, for example indirectly through general equilibrium (displacement) effects (see Calmfors, 1994).

In addition to these methodological challenges, the empirical literature on activation is very diverse. Many different policy measures are labeled “activation program,” and many different outcomes are used to assess the impact of activation. It is therefore difficult to make any general statements about the effectiveness of these interventions. Still, an attempt is made in two recent, influential meta-studies of labor market activation programs. Both studies conclude that many programs, especially government employment and training programs, appear to have modest impact on the employment status (or wages) of the participants, while programs offering subsidies to private firms or programs using “services and sanctions” to enhance job search seem to have better effects (see Card et al., 2010; Kluve, 2010).

Only a relatively small subset of the activation programs that enter the meta-studies above are randomized evaluations. There is, however, a small but growing literature using experimental data to assess the effect on activation. Two recent papers examine the effect of a mandatory activation program in Denmark, Graversen and Van Ours (2008) and Graversen

and Van Ours (2011) A random sample of individuals who lost their jobs during a specific period had to participate in a program offering intensive counseling and mandatory training, an offer that was coupled with benefit cuts if not “taken.” This sample faces a “throffer”. The control group received cash benefits with no (very few) conditions attached. The data show that the average job finding rate was 30% higher for those “activated” than for the control group. Furthermore, by an inventive use of individual variation in the data, the authors argue that it was the disutility of having to participate in these programs, rather than the enabling effect, that explains the increased job finding rate. This study indicate that the short-term effects of activation “throffers” are positive. It is, however, far from obvious that the long-term impact is equally positive, as people may tend to rush into bad jobs when they are threatened with benefit sanctions (Arni et al., 2012)

### 3.3 Fair efficiency?

Even if mandatory activation reduces the dependency rate ( $b^*$ ) sufficiently enough to defend its costs, the measure cannot be justified on economic terms alone. Programs that basically coerce individuals to participate in work-related activities in order to be eligible for cash benefits also require a fairness-based justification (Wax, 2000). Is it legitimate to attach counseling, search, and training requirements to cash benefits, or does justice prescribe unconditional benefits? Do activation programs demand what it is reasonable to ask of people receiving welfare benefits, or do these conditions merely add insult to injury to the most disadvantaged? Do they strike a proper balance between two concerns: reducing the risk of abuse, on the one hand, and not denying support to people who need and deserve it, on the other hand?

Some benefit recipients need assistance because they cannot work; others can find work but lack the will to make an effort to provide for themselves. Exposing all to the same demands would be to overlook morally relevant differences. If there are persons who cannot be blamed for not getting into work, activation policies will produce unfairness. A system

of unconditional support avoids this unfairness, but is at the same time confronted with the objection that it is unfair to provide benefits to those who are able to support themselves (Shapiro, 2007, ch. 6). From the point of view of fairness, one may also ask if activation policies can be implemented in a fair way. Do they imply a use of discretionary power that threatens the personal integrity of welfare recipients and exposes them to arbitrariness (Goodin, 1986)? Section IV will revisit these questions about fairness.

## 4 Sustainability

### 4.1 The argument

Activation programs may underpin the stability or sustainability of a (generous) welfare state. One version of this argument is straightforward and directly linked to the efficiency reason for activation: Every policy that restrains the number of welfare claimants will ease public budgets and therefore help maintain generous welfare transfers to individuals who are unable to earn a sufficient income in the labor market. Another stability argument is more subtle but also more important. It relates to the political psychology of redistribution (Wax, 2005).

The underlying idea is that citizens' willingness to support a system with generous transfers to the jobless depends critically on their belief about the deservingness of the recipients. People may vote for a redistributing welfare state for two different reasons (Moene and Wallerstein, 2001). Fairness and altruism may motivate individuals to support political parties favoring income redistribution from the rich (with jobs) to the poor (without jobs). It is, however, also possible to interpret the welfare state as a grand mutual insurance system taxing individuals who happen to be "lucky" (with jobs) and supporting the "unlucky" who have lost some or all of their earning capacity. Extensive free-riding on transfers, or the mere perception that many recipients do not strive hard enough to provide for themselves, may undermine both motivations.

Mutual insurance implies a mutual obligation of not claiming losses that could, with

reasonable effort, be prevented. If the cooperative spirit of a mutual insurance scheme is broken by a substantial part of the population, that is if moral hazard prevails, one may expect that the general support for the whole transfer arrangement will fade. If altruism underpins redistribution, it is equally perceivable that the degree of altruism a person feels toward others may be contingent on their attitudes and actions. There are also influential theories of distributive justice advocating that individuals are responsible for their own “effort.” People adhering to such a principle of justice are more willing to support a system with generous unemployment insurance and social benefits if they perceive that the benefit recipients are making reasonable efforts to obtain ordinary work. Hence, if activation programs bring about such a perception, they will strengthen the support for redistributive transfers.

## **4.2 Are mandatory activation programs underpinning the stability of redistributive schemes?**

The stability argument in favor of activation asserts the following chain:

Mandatory activation → less “free-riding” → more support for a redistributing welfare state

There are not many studies attempting to test this causal chain. One exception is Soss and Schram (2007). They examine the political feedback effect of the welfare reform signed by Bill Clinton in 1996. Prior to the reform many commentators and scholars foresaw that the Personal Responsibility and Work Opportunity Act would enhance the public support for providing benefits to the poor and jobless. DeParle and Holmes encapsulated these expectations in the following way (De Parle and Holmes, 2000)

...[t]he welfare restrictions—time limits and work requirements—would do more than revamp one discredited program. [They] would help create a political climate more favorable to the needy. Once taxpayers started viewing the poor as workers, and not as welfare cheats, a more generous era would ensure. Harmful stereotypes would fade. New benefits would flow.

Soss and Schram examine two feedback mechanisms. The first operates by changing the attitudes toward poor people, the second by taking “welfare” off the agenda. They find

support from survey data for the second mechanism but not for the first. “Welfare” became less salient to the public after 1996, but the Clinton reform did not manage to transform the views on welfare recipients:

Work requirements and time limits may be popular, but they did not generate more positive images of poor people, welfare recipients, or welfare itself. Policy reform did not reduce the association of public aid with dependency or the association of poverty with lack of effort. . . . With “welfare” off the agenda, Americans did not become more willing to spend on the poor, on blacks, or on welfare, and public opposition to reducing inequality and raising living standards for the poor actually increased. (Soss and Schram, 2007:120)

Why was there no positive feedback on redistributive policies from the Clinton reform? Was it because the reform did not improve the targeting of welfare transfers or because targeting—the issue of whether or not benefits are given to the really needy who deserve support (not to  $B_3$  and  $B_4$ )—is not important for Americans’ attitude towards welfare transfers?

The latter possibility does not square well with other data. There is ample evidence, both from self-reported data on values and beliefs and from behavioral data in economic experiments, that the second link in the chain above is empirically valid: Individuals are more willing to redistribute if they believe those in the receiving end are truly needy and have made an effort to provide for themselves. Luttens and Valfort (2012) use data from various surveys asking individuals to take a stand on value judgments (World Value Survey and European Value Surveys). They find that both Europeans and Americans are desert sensitive when it comes to social transfers; their willingness to redistribute depend critically on whether they think it is lack of luck or lack of effort that explains the need for economic support. But Americans’ support for redistribution is more desert sensitive than Europeans’. Moreover, Americans tend to be much more skeptical about the attitudes and behavior of the poor; 60% of a representative sample of Americans believe that it is lack of effort that explains poverty; in Europe this number is 27% (Alesina et al., 2001).

Of course, this association does not in itself prove that the perceived deservingness of the poor has a causal effect on people’s willingness to redistribute income. But it is indicative, and



Alesina and Angeletos (2005), when building on Piketty (1995), show that when individuals' willingness to support redistributive schemes are effort sensitive, one may attain two stable outcomes: one "European", with extensive redistribution and little skepticism towards the poor, and a U.S. situation, with low taxes, little redistribution, and a belief that the poor are underserving. Fong et al. (2005) argue that the type of conditional generosity observed in the value surveys referred to above is rooted in a norm of "strong reciprocity." Individuals derive utility from behaving generously toward others who act in a likewise cooperative manner. Strong reciprocity is a motivation that goes beyond an enlightened self-interest type of cooperation, where someone is willing to act in a cooperative manner because it serves her long-term selfish interests. Those motivated by a norm of strong reciprocity are generous toward strangers and will support redistributive schemes if they are assured that others have the same attitude. Strong reciprocators support a transfer scheme "rewarding those individuals who perform socially valued work and who seek to improve their chances of engaging in such work, as well as those individuals who are poor through accidents not of their own making, such as illness and job displacement" (p. 293).

Behavioral data from economic lab experiments also indicate that individuals are conditionally generous, willing to share with others if recipients are behaving in a fair manner. A large fraction of individuals who are invited to make contributions to a public good in the lab (mutual insurance is one type of a public good) are willing to give if they believe others behave in a similar cooperative manner (contribute if they can) (see Fehr et al., 1997 for an appraisal and overview of these findings). In "real effort" lab experiments, where participants "produce" before they vote over different distributive schemes, a high fraction of the participants make decisions consistent with the liberal egalitarian norm that only inequalities arising from factors under individual control should be accepted (Cappelen et al., 2007).

In sum, the hypothesis that public support in favor of income redistribution is effort sensitive is well founded. It is therefore intriguing that the only explicit attempt to measure the political feedback effect of a labor market activation program (the Soss and

Schram study) does not find the expected feedback on the public's appraisal of poverty relief programs. Maybe the explanation is that the first link in the chain did not hold for the Clinton reform. Maybe the reform did not improve the targeting of benefit recipients, or perhaps that is how the public perceived it. Given the heterogeneity in the design and content of activation programs, one should be very cautious with making inference across activation programs. There could also be national differences in the political feedback of active labor market policies. In a recent study of Swedish attitudes towards the welfare state, Svallfors (Svallfors, 2011) found that there has been a declining suspicion of un-deservingness and cheating of welfare recipients since 1986:

Especially large changes are registered for the question of whether the unemployed really want a job, and whether those who report themselves sick are really sick. Suspicion about welfare abuse is now at its lowest level ever and substantially different from what was the case in the mid-1980s. (p. 814)

Svallfors makes no attempt to identify the causal mechanism depicted above, but he observes that these attitudinal trends coincide with a more extensive political and media debate about welfare cheating and abuse, a worsening of the labor market situation, and the introduction of more stringent conditions in sickness insurance.

### **4.3 Fair sustainability?**

The sustainability argument refers to current views about fairness, but it is not a fairness argument itself. It simply takes certain fairness views as given and assumes that policies violating them will undermine the support for redistribution, while policies in accordance with them will maintain or enhance the support. The argument also presupposes the value of the welfare state and the sustainability of its redistributive arrangements. If mandatory activation taps current views of fair redistribution, it can be seen as a means to achieve this goal and hence as a reason for such a policy. However, note that a prerequisite for a valid sustainability argument is that mandatory activation in fact mitigates free riding. In that manner, sustainability is a by-product of efficiency. One could perhaps argue that it is

sufficient that the public have the perception that activation reduces “welfare cheaters,” as it is the public’s beliefs that matters for their support of policies. But if mandatory activation creates support for redistribution only by falsely changing people’s perception of the welfare recipients (in reality activation has no effect on the composition of welfare recipients), this could hardly work as a public justification for activation policies.

The fairness considerations raised against the efficiency argument are relevant also for the sustainability argument. Suppose mandatory activation gives those who can find ordinary work an incentive to do so. However, information constraints prevent activation from being targeted solely to these individuals ( $B_3$  and  $B_4$ ), implying that the truly needy also ( $B_0$ ) must participate in the programs. One may argue that the sustainability argument therefore implies an unfair instrumentalism. Some people ( $B_0$ ) are not treated with equal concern and respect but rather as means for the purpose of generating support for the welfare state (or efficiency). However, in one way these considerations are more ambiguous when raised against the sustainability argument. If public support of redistribution is effort sensitive, it is in the interest of actual and potential needy and jobless to accept training and activation requirements and time limits, as these features will ensure future public support for generous unemployment benefits and other kinds of income support to jobless persons.

## 5 Paternalism

### 5.1 The argument

Paternalistic arguments in favor of “activating” welfare recipients do not appeal to desirable societal outcomes, such as an efficient use of human resources or the sustainability of the welfare state, but rather to what is in the best interest of the benefit recipients themselves. A paternalistic argument asserts that it is morally legitimate to restrict the liberty of an individual in order to prevent behavior that is harmful to this person or, even more intrusive, to promote a behavior that is beneficial to the person. Paternalistic reasons are often mixed

with other-regarding reasons for limiting a person’s liberty, but the defining feature of a paternalistic argument is that the interference is justified exclusively by a consideration for this person’s own good or welfare (Dworkin, 1972; Feinberg, 1986).<sup>2</sup>

The Roman law maxim *violenti non fit injuria*, to a willing person no injury is done, draws the dividing line between paternalistic and non-paternalistic restrictions on a person’s freedom of choice for his own good. If a person deliberately consents to inferences in order to protect himself against his own lack of rationality or weakness of will, this is a case of self-binding or pre-commitment, not of paternalism. As for Ulysses, who had himself tied to the mast so that he might not yield to the song of the Sirens, it may be rational for a person recognizing that “the flesh is weak” to authorize others to override their present will on behalf of their future self (Elster, 1979, ch. 2).

There are different degrees of paternalism; a common distinction is between soft and hard paternalism (Dworkin, 1988; Feinberg, 1986). Soft paternalism justifies restrictive interventions when individuals lack the knowledge or mental capacity to act in their own interest. Hard paternalism, on the other hand, justifies intrusions on individuals who have the knowledge and mental capacity to make appropriate choices but who nevertheless do not act, according to the paternalist, in their own interest. What matters for the hard paternalist are the harmful consequences of a person’s actions, not under which conditions they are made. However, the distinction between soft and hard paternalism is problematic. As the criteria for knowledgeable and autonomous action become more demanding, the space for (soft) paternalistic interventions increases. On the other hand, if one defines autonomy only as the capacity to articulate and act on preferences, the space for (soft) paternalism is very limited, and most paternalistic action will appear as instances of hard paternalism.<sup>3</sup>

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<sup>2</sup>See Dworkin (Dworkin, 2013) for a discussion of different definitions of paternalism and especially of Seana Shiffrin’s (Shiffrin, 2000) relaxation of the criteria for paternalistic intervention.

<sup>3</sup>Thaler and Sunstein (Thaler and Sunstein, 2003; Sunstein and Thaler, 2003; Thaler and Sunstein, 2008) have extended the concept of paternalism to policies of “nudging,” i.e. attempts at influencing peoples choices without imposing constraints on them. They call such policies “libertarian paternalism.” Individuals sometimes make inferior choices based on limited information and cognitive capacities as well as lack of will, and the intention is to compensate for this by arranging their choice situation in such a way that they will lead in the direction of choices that make them “better off.” If this can justify paternalism, i.e. whether the

A paternalistic argument for mandatory activation policies asserts that a long-term dependency on public support is harmful—economically, psychologically, and even morally—to welfare recipients. Conversely, self-reliance through employment is assumed to be a personal good. In addition to income, it provides individuals with social networks, generates social acknowledgment and self-respect (Moon, 1995:ch. 6), and develops certain character traits or virtues (Mead, 1986, 1993). Mandatory activation (job searching, training, etc.) may then be *prima facie* justified to the hard paternalist as a way of promoting the welfare recipient’s own good. The soft paternalist would consider activation policies as legitimate provided that it is lack of rationality or will that prevents the welfare recipients from exerting enough effort to find a job. He assumes that they, as well as other citizens, will consent to these policies on sober reflection.

## 5.2 Activation to one’s own good?

There is an empirical content to paternalism as a reason for activation, and it can therefore, at least in principle, be tested against data. The hard paternalists have to show that people who refuse to be “active” job searchers or participate in training programs are harming themselves, even if they act according to their own preferences and with knowledge about the consequences. The difficult question facing soft paternalism is the rationality/will condition. Since it is not the choices and preferences *per se* that justify restrictions on liberty, as with hard paternalism, but the suspicion that they are not “autonomous” or “reflective,” the soft paternalist has to define threshold criteria for this quality and to demonstrate that there are good reasons for the suspicion with regard to welfare recipients.

As far as we know there is no study attempting to validate the empirical presumptions made by paternalistic reasons for activation policies. From a normative point of view, paternalism, especially hard paternalism, violates the liberal harm principle, saying that the idea of “libertarian paternalism” is a coherent concept, shall not bother us here, since activation programs are not based on “nudging” or “choice architecture” but on obligations (and sanctions). However, this does not exclude that nudge-mechanisms can be used within activation programs.

only legitimate ground for constraining the liberty of adult persons who are able to make decisions for their own good is to prevent “harm to others,” not to prevent “harm to self” or to force individuals to do what is in their best interest (Mill, 1859). When hard paternalism is used to legitimate mandatory activation of welfare recipients it presupposes not only an account of the value of work and how it contributes to peoples’ lives, but also a theory of government calling on the state to enforce behavior that is in accordance with such an account (Henning, 2009). This amounts to a perfectionism which neglects that there will be reasonable disagreement about what constitutes a good life and goes against the principle that citizens ought to be considered as equals, irrespective of their conceptions of the good. A leisure-oriented person is of course responsible for and has to bear the consequences of his attitudes and choices, and therefore – it may be argued – he has no right to demand subsidies from others who have made other choices.. But this is an issue of justice and not of paternalism.

The liberal objection against hard paternalism is partly avoided by the soft paternalists, since they assume that benefit recipients for some reason exhibit a weakness of rationality or will, and that they in fact, as every prudent citizen, prefer work over welfare. The soft paternalist expects a future consent from those who are obliged to participate in activation programs.<sup>4</sup>

Suppose that the soft paternalist is able to specify a reasonable threshold of autonomy; there must also be a method for finding out the status of the preferences of individuals, i.e. how autonomous or reflective they are. The possibility that the diagnostic inquiry may be as intrusive as, or even more intrusive, than the suggested policies is a paradox of soft paternalism. In addition, the soft paternalist has to show that the restrictions associated with mandatory activation do not put an unreasonable strain on welfare clients; the same fairness reservations that can be raised against the efficiency and sustainability reasons are

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<sup>4</sup>Rawls assumes that the parties in the original position will want to “protect themselves against their own irrational inclinations by consenting to a scheme of penalties that give the sufficient motive to avoid foolish actions and by accepting certain impositions designed to undo the unfortunate consequences of their imprudent behavior” (Rawls, 1971: 249).

relevant here. Secondly, they must demonstrate that activation policies produce a net benefit to welfare recipients, i.e. that the costs in terms of restricted liberty are outweighed by the advantages associated with getting a job, and thirdly that the financial costs which other citizens have to bear are reasonable in proportion to the net benefits for welfare recipients.

## 6 Justice

### 6.1 The argument

Fairness arguments commonly used to justify a redistributing welfare state appeal to egalitarian principles (Heath, 2011). A just political order does not only guarantee all citizens the same civil and political liberties, it also alleviates social inequalities that arise from circumstances beyond individual control. This double focus characterizes the family of theories of justice denoted as “liberal egalitarian” (see Kymlicka, 1991 and Gosepath, 2004). From the liberal respect for individual autonomy, it follows that people should be held responsible for their choices and, moreover, that inequalities resulting from choice are justified. However, when people are disadvantaged as a result of unchosen circumstances, inequalities are unfair and should be rectified. In the words of Gerald Cohen, liberal egalitarianism has incorporated “the most powerful idea in the arsenal of the anti-egalitarian right: the idea of choice and responsibility” (Cohen, 1989:933). We are obliged to support individuals who cannot provide for themselves if their misfortune is due to brute bad luck, but we have no obligation to provide economic support to those who can get work but who deliberately choose not to earn their own income

This responsibility argument is anchored in the idea that fair conditions of social cooperation involve a reciprocity requirement. The claims we make on each other as citizens must be mutually acceptable, and when the terms of cooperation are such that “each participant may reasonably accept them, provided that everyone else accepts them” (Rawls, 1993:16), we are also obliged to do our part provided that others also will do their. From this principle

one may argue that a fair, i.e. mutually justifiable, system of public income support has to exclude persons who are able to provide for themselves but refuse to work. When such persons claim public support, they are demanding from other citizens something they themselves are not willing to agree to, namely to contribute to the social cooperation required to sustain the kind of income supporting arrangements they are making claims on (Gutmann and Thompson, 1996).

John Rawls, in his restatement of “justice as fairness,” addressed the question of entitlement to public support (Rawls, 2001). In a critique of the initial formulation of the difference principle, Richard Musgrave pointed out that the “worst-off group” was defined in a way that was biased toward persons with strong preferences for leisure. If some of those in the “worst-off group” are poor because they are “surfers” who prefer leisure over work, why should they be entitled to a minimum income share? (Musgrave, 1974) Rawls’ answer was to include leisure time in the index of primary goods that should be maximized. Then the extra hours of leisure of those who do not work could be counted “as equivalent to the index of the least advantaged who do work a standard day” (Rawls, 2001:179; see also Rawls, 1999). Since those who choose not to work are as well off as those who give up leisure in order to earn an income, they cannot claim a minimum income share. So Rawls concluded that “those who surf all day off Malibu must find a way to support themselves and would not be entitled to public funds.”

Note that this argument is not grounded in a duty per se to reciprocate benefits (Becker, 1986, ch. 3). It starts with reciprocity as a requirement for public justification of rules of cooperation and demands that we comply with a *fair* system of such rules. Hence, the specification of a duty of reciprocity, to make a contribution in return, depends on the prior specification of standards of justice and a fair base line.<sup>5</sup>

The principle of responsibility-based reciprocity points out who are entitled to public support, but what kind of policies toward benefit recipients does it imply? Liberal egalitarians

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<sup>5</sup>On the relation between egalitarian justice and reciprocity, see Barry (1989), Buchanan (1990), Lister (2011).



will clearly approve policies that improve the employment opportunities for jobless people, but how do they stand on the mandatory nature of activation programs; “comply, or you will receive no, or less, support?” Is mandatory activation permissible, even recommendable, within a liberal egalitarian position?

When addressing this question it is instructive to first consider a case where welfare providers have sufficient information to impose benefit restrictions only on those who lack motivation to work or to train. Only persons from group  $B_3$  and  $B_4$  receive conditional (on program participation) support, those in  $B_0$  receive unconditional support. Mandatory activation may then motivate some of the recipients to take ordinary work. If so, mandatory activation enables the state to target transfers more precisely to individuals who cannot work, which is in accordance with liberal egalitarian prescriptions. In fact, one could argue that since it is precisely those who cannot (as opposed to those who will not) earn their own income in the labor market that have a justified claim on public support, there is a *prima facie* liberal egalitarian argument in favor of mandatory activation. Hence, a society that gives its members a right to income transfers in order to protect against bad brute luck may also legitimately make the support conditional on active job search, participation in educational and training programs, and so on. The more generous the income support is, the more justifiable are “work-tests” to protect fellow citizens against unfair resource claims from those citizens who can do their bit in social cooperation.

Some liberal egalitarians find it unfair to attach conditions to income transfers, even if conditions can be imposed strictly on those who can but will not earn their own income. They find conditionality inconsistent with the principle of equal concern and respect, implying non-discrimination among conceptions of the good life, and propose a universal basic income (see Birnbaum, 2012 for an overview). Such a scheme may serve individual autonomy—the freedom to choose one’s own way of life—but is contestable since it can be considered as a “recipe for exploitation of the industrious by the idle” (Elster, 1986:719). In response to this objection and Rawls’ statement about surfers, Van Parijs has tried to show that a

basic income can be funded with resources that nobody has a justified prior claim to and therefore should be regarded as gifts. Besides natural resources and inherited wealth the most important “gift” is employment rents earned by people in jobs providing salaries and perks that are not competed away in a market with free entry (Van Parijs, 1991, 1995).

We cannot assess this or other responses to the exploitation objection here (see, for example, White, 2006, Vallentyne, 2011). Basic income is not on the political agenda as an alternative to activation policies, and it seems to require a deep transformation of current normative convictions in order to gain political feasibility (confer our discussion above of public support and the sustainability of welfare programs). In our context the point is simply that the justification of a basic income in terms of distributive justice gives rise to the opposite problem of the justification of mandatory activation. What has to be justified is that it is not unfair to non-surfers to disassociate income entitlement from productive contributions, while mandatory activation requires a justification for the fairness of linking income entitlement to work requirements.

## **6.2 The responsibility cut and information constraints**

The discussion above disregards the fact that it is difficult, probably impossible, to impose mandatory activation only on those who are able but unwilling to work (or who would be able to work with sufficient training but who are unwilling to train). Put differently, in the real world activation programs will be imposed also on those who are unable to work (individuals from group  $B_0$ ).

There are two reasons for why it is difficult to levy mandatory activation programs solely on those who, according to the liberal egalitarian maxim, are undeserving welfare recipients. The first problem is a demarcation problem. The notion that we are obliged to support those who cannot work but not those who choose not to work has a lot of intuitive appeal, but the distinction between luck and effort, between circumstances and choice, is tricky (Roemer, 1986). This responsibility cut can be ambiguous when it comes to unemployment (Dworkin,

2002, Cappelen, 2010). A person's employment status is rarely (or never) completely independent of past choices. The likelihood of losing a job depends on where one chooses to live and on educational choices made earlier in life. But it may be too harsh to hold people responsible for the consequences of such choices since they are not only dependent on the will of the agent but also on circumstances beyond their control. Moreover, individuals are heavily influenced by an unchosen social and cultural background. One could also argue that lack of will and initiative can sometimes be explained by external factors; the circumstances of an individual's life may be so discouraging that lack of effort is excusable (Arneson, 1997).

Another practical challenge with the liberal egalitarian position is that even if we were able to agree on a responsibility cut that separates the "cannot" from the "will not," it may often be impossible to tell which group a person applying for welfare benefits belongs to. The problem is asymmetric information; the welfare applicant has privileged information about his wealth skills.

### **6.3 Reasonable responsibility?**

The practical problems associated with the implementation of mandatory activation and the fairness trade-off point to concerns raised by theorists claiming that there is more to social justice than distribution of divisible material goods (Wolff, 1998; Anderson, 1999; Scheffler, 2003 and Scheffler, 2005; for a discussion, see Stemplowska, 2011). As important are "relational goods" such as respect, equal footing, and non-domination. In response to these concerns a liberal egalitarian may want to attach several provisos to activation programs.

First, to the extent that work-tests are used to target transfers and obligations, there must be a way of administratively operationalizing the distinction between responsibility and non-responsibility factors that does not undermine the egalitarian relations by being intrusive and demeaning (Daniels, 2003). Secondly, mandatory activation policies must make reasonable demands on the recipients (see Gutmann and Thompson (1996) and White, 2003

on conditions for “fair” work requirements). To force them to accept any job, anywhere and at any wage, would infringe upon their freedom to such a degree that they lose their status as equal citizens. Thirdly, the argument in favor of mandatory activation depends on the magnitude of the “free rider” problem and to what extent mandatory activation solves it (Wolff, 2004). If there are very few “free riders” relative to the truly needy ( $B_3$  and  $B_4$  are small compared to  $B_0$ ), a liberal egalitarian would oppose mandatory activation simply because the main effect of the program is to reduce the welfare of individuals who suffer from bad brute luck. Fourthly, the desirability of using mandatory activation depends on the population’s attitudes toward jobless people and work requirements (Anderson, 2004). If the attitudes toward welfare recipients are marked by mistrust and work requirements are perceived of as measures for keeping a tight rein on “scroungers,” mandatory activation may affirm these attitudes and thereby do injustice to already disadvantaged individuals. This would make a liberal egalitarian skeptical to the use of mandatory activation. But an opposite scenario is also possible. Mandatory activation may rather improve the way the working population assesses welfare recipients (confer our discussion under stability for an elaboration of this possibility), and this could provide a reason for a mandatory activation policy. Fifth, the implementation of activation policies involve the delegation of discretionary power to “street level bureaucrats.” Discretionary power can create arbitrariness in the treatment of citizens and must therefore be matched by suitable accountability mechanisms (Molander et al., 2012).

## 6.4 Justice and efficiency

Just as instrumental arguments in favor of mandatory activation may face fairness objections, justice reasons for activation must take account of the welfare consequences of the programs. Note though that there is no head-to-head conflict between distributive justice and efficiency in this case. Mandatory activation of welfare recipients is most efficient when (i) the group of benefit recipients consists of many individuals who are able (maybe with some training) but

unwilling to take jobs and (ii) mandatory activation gives these individuals strong incentives to find ordinary jobs. It is precisely under the same circumstances that mandatory activation is most appealing when measured against the liberal egalitarian notion of distributive justice. To the extent that the public cares about the costs and fairness of policies, it is under these conditions where mandatory activation will have a positive feedback effect on people's attitudes towards redistribution.

The concordance between the distributive justice and the efficiency assessment of mandatory activation is not perfect. Those concerned with the justice of mandatory activation will not pay much attention to the administrative costs of running these programs, while program costs are a core element in an efficiency assessment of the policy. Furthermore, we have seen that in a practical world with ambiguous responsibility cuts and asymmetric information there will be a fairness trade-off. On the one hand, activation programs are a way of pursuing a responsibility-based reciprocity. On the other hand, they are unfair to the extent that individuals who are truly unable to earn an income in the labor market also will have to participate. Liberal egalitarians will try to tilt this trade-off in the direction of reasonable responsibility by attaching a set of provisos to activation programs that may reduce their cost-effectiveness.

## 7 Concluding remarks

We have examined four reasons for mandatory activation policies. Each type of argument can be invoked alone or in a combination with the others to support mandatory activation. Two of the arguments, cost-effectiveness and fairness, can also be invoked to argue against such policy programs. This gives an interesting set of possible constellations of arguments for and against activation.

Suppose a careful empirical analysis (our discussion above shows just how difficult it is to estimate the causal effect of social programs) concludes that a specific activation program is

cost-effective; it brings benefit recipients into ordinary work, and the gains associated with this transfer surpasses the costs of running the program. This program may, however, be criticized for not being fair, for example on the grounds that it imposes burdens on those who cannot be activated back into work. This is a common pattern; cost-effectiveness meets fairness constraints. Note, however, that the proponents of activation may put weight to their arguments by pointing out that not only is the program cost-effective, it also improves the stability of the whole redistributive system or induces changes in the behavior of welfare recipients that are in their own long-term interest (paternalism). The fact that the sustainability and paternalism argument can add to the benefits of a program implies of course that it is possible to argue in favor of activation even if the program is not, *ceteris paribus*, cost-effective. But again, reservations can be made from a fairness point of view.

We have argued that fairness does not always provide reasons against mandatory activation. The fact that mandatory activation can be defended on fairness grounds may give rise to a rarer constellation of fairness and efficiency arguments. Suppose a mandatory activation program improves the targeting of benefits to the really needy by giving the able but unwilling an incentive to work. However, in a cost-benefit calculation the program fails by being too expansive to implement and administer. Even if the program cannot be recommended on efficiency grounds one may argue it ought to be implemented because it enables us to target transfers to the really needy, and this improves the distributive justice of welfare transfers.

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