1. Comparative welfare state analysis and the 'dependent variable problem'

Jochen Clasen and Nico A. Siegel

INTRODUCTION

Reforms of public pension schemes, health care systems and labour market programmes have been amongst the most salient political issues for some years. The reasons for governments to engage in welfare reform vary across countries, but generally include budgetary pressures and projected increases in spending on health care, social services and public pension systems. Economic internationalization and associated shifts in production and employment patterns have jointly contributed to new labour market risks, problems of long-term unemployment or labour market inactivity. Changing household formations as well as political forces, either of a domestic or a supranational nature (e.g., Europeanization), put additional pressures on policy makers to adapt existing forms of welfare state provision, and reinforce perceptions of welfare reform as a political topic which is likely to remain high on the public policy agenda for some time to come. Moreover, in terms of the political discourse, traditional left concepts favouring big welfare statism have become rather scarce. Instead of the public provision of social protection perceived as market restricting and correcting, current debates and new policies appear to present a shift towards market enabling principles.

Within social science the notion of changing welfare states as a topic for comparative research is not new. In fact, it was the emergence and subsequent expansion of social protection until the 1970s which stimulated a large number of investigations into the causes for welfare state growth (e.g. Flora, 1987a) as well as processes of cross-national variation (e.g. Esping-Andersen, 1990). However, mirroring the more recent challenges to and current reform initiatives within advanced welfare states, the focus of research has shifted profoundly over the last decade. Whereas in the 1970s and 1980s most social scientists were studying the economic context, social configurations and political coalitions and institutions which had enabled the massive expansion of the welfare state in the 20th century, nowadays they are investigating how governments are able to 'impose losses' without losing political power. An impressive number of books and articles have dealt with this 'new politics of the welfare state' (Pierson, 2001). Analysing the political logic of 'welfare retrenchment' and 'blame avoidance' has become a major research field for political scientists. Many sociological accounts of welfare state change have shifted their focus too. The new risk configurations which seem to have emerged in the transition to postindustrial societies and which challenge welfare state arrangements that had been established in the context of old, traditional risk contexts of industrial societies have been at the centre of a number of recent research projects and books (Taylor-Gooby, 2004; Bonoli, 2005; Armingeon and Bonoli, 2006).

Despite somewhat subject specific perspectives, authors across different disciplines seem to agree that we are witnessing an era of considerable challenges to existing arrangements for social protection. Yet whereas some diagnose far reaching transformations, others identify incremental adjustments and stepwise recalibration. More generally, there is little consensus on either the nature of welfare state change or its scope. Indeed, despite a growing availability and comparability of relevant data, the body of comparative welfare state research cannot be described as resting on a widely shared empirical basis or common understanding about how much change there is, what drives change, or how the nature of change should be understood or conceptualized.

This lack of progress in the description and explanation of welfare state change across countries and time is, we argue, at least to a considerable extent due to a 'dependent variable' problem, i.e. a noticeable absence of reflection on how to conceptualize, operationalize and measure change within welfare states. Of course, the kinds of problems we identify and discuss in this volume may be similar to those in many other areas of comparative studies in social sciences. Cross-national inquiries into processes of social dynamics, political regime change, social revolutions, or of structural changes in the economy, to name just a few examples, all face problems of conceptualization and operationalization. Comparative studies of welfare state change may thus not be a special case. Yet, as this volume aims to demonstrate, the 'dependent variable problem' deserves to be taken more seriously within comparative welfare state analysis than it has been to date. More than from a purely methodological perspective it raises important questions of theoretically guided concept building, and it has important implications for policy discourses too.

With this volume we are hence taking a step back in order to focus on some of the most salient dependent variable problems in comparative welfare state research – and on ways in which they might be addressed or even overcome. Ultimately such a step, we hope, will help to enable a more cumulative build-up of empirical evidence and contribute to constructive theoretical debates about the causes for welfare state change.

Two points of clarification should be made. First, we acknowledge that a concentration on the welfare state as 'dependent variable' cannot overlook the point that welfare states can figure as important independent variables, too. For example, the size and institutional structure of national pension systems or health care programmes may influence the speed and direction of welfare reform. Equally, mature welfare states tend to be rather large employers in many countries. As Esping-Andersen has demonstrated in his ground breaking study of welfare regimes (Esping-Andersen, 1990), the welfare state itself is a major force stratifying societies and personal life contexts. Accounts of welfare state dynamics have thus to consider preferences and interests not only of relevant policy makers who are perceived as 'exogenous political actors' on the one hand and welfare state clientele on the other, but also possible vested interests of welfare state employees and the complex interplay of actors shaping the development of contemporary welfare arrangements.

However, this volume does not intend to provide an all-encompassing manual on the challenges and pitfalls within the study of change and reform in modern welfare states. Adopting a less ambitious and more parsimonious approach, we deliberately restrict ourselves to discussions about different aspects of the 'dependent variable problem'. Put differently, our intention is to discuss why and in which ways the 'dependent variable problem' is relevant for comparative accounts of welfare state change, not only in terms of basic methodological or technical problems but also in terms of substantive and theoretical aspects within this field of study.

Second, we do not use the term 'dependent variable' in a narrow, technical or even exclusively statistical sense. Instead the term has been chosen in order to underline the general task of all chapters, i.e. to engage with the challenge of conceptualizing and measuring welfare state change – rather than contributing (further) to the debate about causes for change. Of course, it can be argued that the former cannot be discussed in isolation from the latter. Indeed, as Green-Pedersen points out in Chapter 2 of this volume, different theoretical perspectives tend to favour different types of dependent variables. For example, a focus on what Bonoli (2006; and Chapter 3 this volume) has referred to as 'new social risks' (such as single parenthood, having relatives in need of long-term care, possessing obsolete skills, insufficient social insurance coverage), and the extent to which welfare states have responded to their emergence, would suggest certain types of concepts and indicators of change. Social spending as a central parameter for assessing change might not be suitable for approaches which focus on gender related aspects of welfare states, or those which aim to test the impact of left parties on welfare state generosity. Instead, as it was not a goal of welfare state advocates to struggle for higher social spending per se (cf. Esping-Andersen, 1990) but to improve the degree of social protection in the context of market economies, composite indices of 'de-commodification' (operationalized as a form of benefit generosity) seem to offer a more appropriate means for assessing the influence of pro-welfare state advocates on policy making. In other words, as Green-Pedersen argues in Chapter 2, the choice of a dependent variable should *follow* theoretical considerations.

THREE ASPECTS OF THE 'DEPENDENT VARIABLE PROBLEM'

Collectively, subsequent chapters tackle three separate aspects of the 'dependent variable problem': questions of conceptualization, operationalization and measurement. As for the former, depending on analytical interest, *the* welfare state (or welfare regimes) might be regarded as an inappropriate unit of analysis since its individual components (transfer programmes, services) might differ substantially in terms of the type of risk management, dominant actor constellations, and interdependencies with other policy fields, e.g. as integral parts of political economies (Hall and Soskice, 2001; Ebbinghaus and Manow, 2001). Over the last decade a growing number of authors have argued that the comparative analysis of the welfare state should be disaggregated to investigations into the dynamics of particular policy domains in order to be able to better capture variation both in terms of policy outcome (Huber and Stephens, 2001) as well as processes of reform (e.g. Ferrera and Rhodes, 2000b; Pierson, 2001).

Of course, whether changes of or within welfare states are of interest reflects different research questions and approaches. Conventionally and narrowly defined, welfare state programmes consist of statutory benefits and service provision (generally leaving aside education). More broadly defined, the 'welfare state' can be conceptualized as all mechanisms which provide social protection against and redistribution of market mechanisms and outcomes. Hence the welfare state not only comprises transfers and services, but also tax expenditures, minimum wages, state regulation of labour and product markets, state recognition of collective bargaining and other interventions, all of which 'disconnect or buffer income streams from market outcomes' (Schwartz, 2003). As Giuliano Bonoli discusses in Chapter 3, the decision in favour of a broader or a more narrow boundary of the term 'welfare state' is not merely a matter of perspective. It also determines the level of analytical abstraction and thus influences whether or not the explanatory power of different theories of the welfare state can be assessed against each other. To put it differently: both the choice of analytical perspectives and of empirical indicators are shaped by (meta)theoretical considerations and they affect central issues of descriptive and analytical inferences in comparative welfare state research.

Following on from the more general aspects covered in this introduction as well as in Chapters 2 and 3, subsequent sections deal with indicators, measurement and concepts. Since it has figured so prominently within comparative welfare state analysis, each of the three chapters of Part II is devoted to the value of 'social spending' as a yardstick for measuring the size of the welfare state and to assessing its scope of change. Part III comprises three chapters which present alternative parameters of change which could be used instead of, or to complement, social spending, such as welfare state generosity and benefit conditionality. Finally, Part IV addresses the usefulness and problems of some 'big concepts' which have been employed as leitmotifs in analyses aimed at capturing the nature of change in contemporary welfare states: 'convergence' (Julia O'Connor in Chapter 10), de-familization (Sigrid Leitner and Stephan Lessenich in Chapter 11), and finally, path dependence (Sven Jochem in Chapter 12).

SOCIAL SPENDING AND OTHER INDICATORS OF WELFARE STATE CHANGE

The amount of money spent on social protection programmes has figured as a major indicator particularly within 'variable oriented' quantitative comparative studies of welfare state development. Improved and more comprehensive data sources (Castles and Obinger, 2006), disaggregated data at the level of individual social policy programmes (Castles, 2004), as well as more sophisticated statistical techniques (e.g. Kittel and Obinger, 2003) have contributed to the continuous popularity of social spending as a central parameter of studies of change or stability within, and convergence or divergence across, welfare states. Nevertheless, for some time now questions about the nature and appropriateness of social expenditure as the (only) 'dependent variable' for quantitative welfare state comparisons have been asked even by prominent scholars within this field (e.g. Castles, 1994).

More recently, the debate about the pitfalls of expenditure based welfare state accounts has been revitalized because analyses for the post-1980s era have produced more inconclusive results than studies which concentrated on the expansion of social expenditure in the 1960s and 1970s. Sensitivity towards the choice of statistical techniques, model specifications, and spending indicators contributed to this inconsistency. At a time when the OECD started to publish regular updates of probably the best source for social expenditure figures ever available for comparative welfare state research (the so-called 'SOCX', OECD Social Expenditure Database, see OECD, 2005a), critical voices were raised concerning the comparability of data across countries and time. Yet in most comparative studies, such issues tend to be ignored or neglected.

Three chapters in this volume critically reassess the use of expenditure analysis in comparative welfare state research. In Chapter 4, Nico A. Siegel presents a general discussion of the use of expenditure data, illustrating the strengths and importance as well as problems of comparative inquiries which mainly (and sometimes exclusively) describe and analyse welfare state change in the light of levels of social spending. In Chapter 5, Johan De Deken and Bernhard Kittel focus on more specific problems. They compare the quality of spending data provided by major international agencies such as the OECD or EUROSTAT. Since definitions of national social policy programmes differ across countries and time, researchers face severe problems when comparing expenditure dynamics. Whereas methodological innovations such as pooled time series analysis seem to offer ever more sophisticated techniques of macroquantitative data analysis, the chapters by Siegel and De Deken and Kittel both demonstrate that research practice is plagued by basic (and some seemingly trivial) problems of data quality, comparability, and non-random measurement error of the dependent variable. Together, these issues generate knotty problems for cross-national studies. Consequently, comparative welfare state researchers run the risk of building their analytical inferences on rather shaky empirical foundations, i.e. on descriptive inferences which may inherently suffer from measurement bias and related issues of the dependent variable problem.

The final chapter of Part II deals with the comparative analysis of social expenditure and particularly its relationship to other indicators, such as welfare state generosity as an expression of 'social rights'. As Olli Kangas and Joakim Palme demonstrate in Chapter 6, levels and changes of social expenditure are affected by two major factors: the generosity of social rights (which is basically a direct consequence of political decisions affecting benefit levels and conditions of eligibility and entitlement) and levels of 'structural need' which reflect demographic and other socioeconomic factors. The authors argue that social expenditure data, particularly at the most aggregated level ('total public social expenditure'), should not be used to infer changes in the generosity of social rights. In short, the *categorical imperative* of comparative research aimed at investigating the extent of welfare state expansion or retrenchment, rather than analysing merely the change in 'welfare efforts', is to move beyond a purely expenditure based and macroscopic perspective of the 'welfare state' and engage with more detailed accounts of changes and policies at the level of individual social policy programmes.

Indeed, the complexity of advanced welfare states seems to make it tremendously difficult to reduce major dynamics of change to just one or a few social policy indicators, and to explain the dynamics of change with a 'catch all master theory' (Siegel, 2002). The suggestion of complementing (or substituting) social expenditure with other indicators of change is the topic spanning the three chapters in Part III. A prominent alternative, also propagated by Kangas and Palme, are 'social rights', which are expressed as entitlement conditions (benefit level and duration) and, often ignored, eligibility conditions. Lyle Scruggs has developed a new method and data source for quantitative measures of welfare state generosity. His innovative data set combines measures of several dimensions of welfare state 'generosity', covering core social policy programmes such as unemployment benefits, public pensions, and child allowances for a time span of more than 30 years (1970–2001) for 18 OECD democracies. In Chapter 7, Scruggs thus illustrates how the empirical infrastructure of comparative welfare state research can be improved. His fine grained instruments for measuring benefit generosity provide surprising results and challenges, contesting the idea of clearly distinct and conventionally conceived welfare regimes. Moreover, his programme specific analysis suggests a certain extent of convergence since the 1980s while questioning the notion of welfare state resilience against cutbacks.

In Chapter 8, Jochen Clasen and Daniel Clegg point out that many current reform initiatives are about the management and reallocation of risks across different social groups and between the public and the private sphere. Even a 'social rights' based approach to studying welfare state change may thus miss a central aspect of change. All social rights are conditional and involve obligations on the part of benefit claimants. In principle, changes in (various dimensions of) conditionality could thus be employed for measuring the scope of change within welfare state programmes which are often assumed, but rarely systematically investigated, as signalling paradigmatic shifts towards 'enabling' or 'social investment' states.

Linking up with these two chapters of Part III, in Chapter 9, Jon Kvist employs empirical indicators of 'generosity', as well as two dimensions of conditionality, i.e. the 'accessibility' of transfer payments and the obligations imposed on benefit claimants. However, he operationalizes indicators somewhat differently and makes use of one of the more recent methods in comparative analysis, fuzzy-set methodology. Applying his analysis to unemployment insurance in seven countries, Kvist demonstrates that fuzzy-set methodology provides a powerful tool for the identification of social policy programmes shifting between ideal typical welfare state categories. In contrast to social expenditure based accounts of change, fuzzy sets, used for a comparative exploration of changes over time, not only offer a more encompassing method of capturing multidimensional changes within individual welfare state programmes but also present a more 'concept driven', and therefore theory guided comparative method than the statistical analysis of spending accounts.

CONCEPTUALIZING CHANGE

The final part of this volume deals with macro conceptualizations of the nature of change within modern welfare states. As already referred to above, 'retrenchment' has become perhaps the most prominent concept within the comparative social policy analysis in recent years. Hinrichs and Kangas (2003: 574) pointed out that it was Paul Pierson (1994) who initiated what they call the 'retrenchment business' in comparative welfare state research, i.e. cross-national investigations into the causes for and political management of imposing losses within modern welfare states. However, Pierson's theoretical interest in ways in which decision makers are able to 'avoid blame' (Weaver, 1986) has rarely been matched by reflections as to how to conceptualize and measure 'retrenchment' within or across welfare state programmes (Alber, 1996). However, similar criticisms can be made of many other concepts aimed at capturing the nature of at times different types of welfare state change which have mushroomed lately. These include 're-commodification', 'cost containment', 'recalibration' (Pierson, 2001), 'individualization' and 'de-familialization' (Ostner, 2003; Leitner et al., 2004), or 'residualisation' (Powell, 2004). It is beyond the remit of Part IV of this volume to review the range of concepts and leitmotifs on change within contemporary welfare state research (Hobson et al., 2002, cover quite a few). Instead, as a way of illustrating the complexity, problems involved and usefulness of concepts which have been employed frequently in recent analyses, the three chapters of Part IV focus on 'convergence', '(de)-familization', and 'path dependence' respectively.

The question whether advanced welfare states are undergoing major convergent trends, or whether persistent diversity can be observed, has been at the heart of welfare state analysis for a long time. However, whereas the question of convergence or divergence in the 1960s figured most prominently in comparisons of economic systems (capitalism vs state socialism, e.g., Pryor, 1968) and was linked to the so-called 'end of ideology debate', in the 1980s and 1990s the convergence-divergence question was raised in a different context and closely coupled to the study of globalization, or more generally, economic and political denationalization. As Julia O'Connor's contribution in Chapter 10 shows, the concept of convergence is related to general issues of globalization and Europeanization. Whereas new concepts and measures of convergence have been suggested by several authors during the last two decades, the question of developing and selecting appropriate indicators for the assessment of the various types of convergence remains a major challenge.

The concept of 'de-familization' has gained a prominent position in contemporary analyses of welfare state change not least as a response to the concept of 'de-commodification' (Esping-Andersen, 1990) which has been criticized as unduly focusing on the (expansion or retrenchment) of social rights arising from (male) paid work in the labour market, thereby ignoring the 'familization' of care work, which is largely done by women. 'De-familization' has been seen, as Sigrid Leitner and Stephan Lessenich argue, as a process of 'unburdening the family' (de facto, women) from care responsibilities by providing rights to payments for care which secure economic independence of the carer and her dependants, as well as access to paid work via, for example, the expansion of public services. However, the authors show that the concept is 'multi faceted and complex', involving 'economic' as well as 'social' independence, and must be perceived from two perspectives, the carer and the person who is cared for. By deconstructing the concept of 'de-familization' Leitner and Lessenich demonstrate that it can be employed as a 'dependent variable' in empirical comparative analysis, although its multidimensionality needs to be recognized.

Finally, one of the most prominent concepts in the recent study of the political reform processes of welfare state changes is that of path dependence. The term has become somewhat of a catch-all theorem, often without clear conceptualization, let alone operationalization or measurement. It characterizes the logic of change as much as the nature (or process) of change. In Chapter 12, Sven Jochem not only provides a critical discussion of several dimensions of path dependence but also operationalizes the concept, which allows researchers to generate criteria for the categorization of welfare state reforms as path stabilizing or path deviating. In order to demonstrate that there are ways of solving the 'dependent variable problem' of specifying critical thresholds, Jochem discusses one of the areas of welfare state reform where path dependence is to be expected, i.e. pension reform. Similarly to Scruggs (Chapter 7), Clasen and Clegg (Chapter 8), and Kvist (Chapter 9), his analysis provides evidence against the notion that contemporary welfare states are locked in distinct trajectories which tend to reinforce themselves. Given that even the 'elephants of the welfare state' are on the move (Hinrichs, 2001), it is hardly plausible to assume that the more lightweight welfare state programmes suffer from inertia.

So, what are the lessons of these investigations into welfare state change and particular aspects of the dependent variable problem? For us, perhaps the most valuable point is the importance of investing in the theoretical and empirical infrastructure for comparative research. The development, upgrading and updating of this infrastructure might not be regarded as the most attractive academic endeavour given that it is time consuming and does not promise short-term gains or spectacular breakthroughs in scientific debates. However, we regard it as an essential long-term investment, building robust foundations for systematic empirical cross-national analysis. As the subsequent chapters demonstrate, real welfare state change is complex and difficult to capture, especially in comparative analysis. This however, is rarely acknowledged within overly parsimonious or elegant models or 'generalized' theories. It thus seems worthwhile to go back to the roots of comparative research: conceptualizing, operationalizing and measuring the kind of changes which may transform democratic welfare capitalism around the globe.