

## TWO WELFARE STATE THEORIES

This chapter looks at the range of theories which have been advanced to explain the development of the welfare state. In the first part of this chapter we look back over the development of welfare state theories and outline a number of theses which are representative of some of the main themes in welfare state theorising. In the second part we look at a range of theoretical approaches which are currently being used to analyse the development (or retrenchment) of European welfare states.

### THESES ON THE WELFARE STATE

In this section we look at a number of key theses on the welfare state that are representative of the main approaches to welfare state theorising which have developed over the last decades. These are:

- 1 The welfare state emerges as part of the 'logic of industrialisation'.
- 2 The welfare state develops in response to the needs of advanced capitalism.
- 3 The welfare state is a product of modernisation of societies.
- 4 The welfare state is shaped by struggles over politics and social class.
- 5 Welfare states are shaped by the social organisation of production.
- 6 The welfare state is determined by the structure and interests of the state or polity.

A broadly chronological approach is adopted. This emphasises both the extent to which welfare state theories are inevitably creatures of their time (for example, at the height of the popularity of functionalism we see a functionalist understanding of welfare states) and the manner in which theory develops by reacting (either developing or rejecting) earlier approaches. For ease of exposition, we focus on one or two key texts in each area. In most cases there is, of course, extensive literature in each area with considerable variations between different authors.

## THE WELFARE STATE EMERGES AS PART OF THE 'LOGIC OF INDUSTRIALISATION'

The earliest theories tended to adopt a structural or functionalist approach to the development of welfare states. In other words, they saw the welfare state as emerging to meet the needs of society at a certain stage of industrialisation, modernisation or advanced capitalism (as the case may be). The functionalist understanding of the development of the welfare state is, perhaps, best exemplified in Kerr et al.'s (1960) study *Industrialism and Industrial Man*. 'The world', Kerr and his colleagues announced, 'is entering a new age – the age of total industrialization' (1960: 3). By industrialisation the authors meant 'the actual course of transition from the preceding agricultural or commercial society towards the industrial society' (1960: 14). In this context, Kerr and his colleagues saw the development of social security and the welfare state as a key step in the building of the industrial labour force.

They argued that:

... in the very early stages of industrialization, the state and the managers typically make little or no provision for the maintenance of the working forces. The worker is thrown back upon his family if he becomes injured, ill, unemployed, or too old to work. In effect, therefore, the family is his only available system of social security. (1960: 152)

However, as industrialisation progresses, wider family ties tended to be broken. Workers, therefore, demanded that the state and business 'share some responsibility for their maintenance' (Kerr et al., 1960: 153). Arising from these pressures:

... advanced industrialising societies characteristically have formal programmes of accident compensation, sickness benefits, unemployment insurance, and old age pensions for industrial workers. There is general agreement that neither the individual nor his family should assume the major responsibility for the hazards involved in being a permanent member of the industrial working force. The society is called upon to maintain persons who cannot work for reasons beyond their control as well as those who were engaged in productive activity. The responsibility for guaranteeing the minimum welfare and security of industrial man rests in large measure upon his managers and his government. This completes the severance of his dependence, both materially and emotionally, on kinship and family ties. (Kerr et al., 1960: 153)

Kerr et al. did recognise that different countries might adopt 'different tactics in effecting labor force development' (1960: 160) and that this would have implications for the state's approach to the development of social security. They also recognised the role of worker protest and elite response in leading to the development of greater social security (1960: Ch. 6). Nonetheless, the main emphasis in this highly functionalist approach was that welfare states emerged at a

certain stage of industrialisation in response to the different needs of industrial societies as compared to 'traditional' pre-industrial societies.

A number of specific studies of welfare states at around this time drew on this theoretical approach (for example, Wilensky, 1975). Rimlinger's study of welfare policy and industrialisation in Europe, America and Russia concluded that 'the need for a highly organized form of income protection increases as a society becomes industrialized and urbanized and that this need is independent of the nature of the socio-economic order' (1971: 334). While emphasising that social security was 'as essential under socialism as it is under capitalism', Rimlinger's study also recognised the quite different approaches that had been taken in different regimes and emphasised the importance of a range of other factors in the development of welfare states. These included 'an emphasis on class relations as a determinant factor in the development of social protection', 'the nature of the political system' and the role of ideas (1971: 8-10).

Myles and Quadagno have distinguished between the weaker and stronger versions of industrialisation theory. They argue that the weak version of the theory, that is 'that industrialism and its correlates (economic growth, population ageing) are necessary to account for the common trend line in welfare state expansion' is rarely questioned (2002: 36). However, the stronger version of the theory which 'rests on the assumption that public policy is the product of large, impersonal, economic forces' and that politics 'if it matters at all, does not matter very much' is much more contentious (2002: 37).

## THE WELFARE STATE DEVELOPS IN RESPONSE TO THE NEEDS OF ADVANCED CAPITALISM

If functionalism emphasised the positive role that welfare spending had to play in ensuring the smooth functioning of industrial society, a Marxist approach, while also adopting a highly functionalist understanding of the welfare state, emphasised instead that welfare spending was a contradictory process which created tendencies towards economic, social and political crisis.

This understanding of the welfare state can be seen in O'Connor's study of the *Fiscal Crisis of the State* (1973). O'Connor argued that 'the capitalistic state must try to fulfil two basic and often mutually contradictory functions - *accumulation and legitimisation*' (1973: 6). In other words, the welfare state in advanced capitalist society assists both in ensuring the continuation, stability and efficient working of the economic system and in ensuring the integration of social classes and groups and the maintenance of social order. O'Connor argued

that because of the 'dual and contradictory character of the capitalist state' nearly all welfare state spending was involved in both the accumulation and legitimisation functions and served both purposes simultaneously (1973: 7). He argued that, for example, some education spending – such as that needed to reproduce and expand workforce technical and skill levels – served the accumulation function, whereas other expenditure served the legitimisation function. Similarly, he argued that the main purpose of some transfer payments, such as social insurance, was to reproduce the workforce whereas the purpose of others, such as income payments to the poor, was to 'pacify and control the surplus population' (1973: 7).

Like the functionalist approach, but in quite a different way, O'Connor also saw the development of the welfare state as being linked to the current stage of capitalism. Modern monopoly capitalism differed, he argued, in two fundamental respects from earlier competitive capitalism. First, an economy dominated by large corporations operating in monopolistic industries generated more inequality. Second, there was an important difference in the manner in which economic and social imbalances were perceived and acted upon under monopoly capitalism. O'Connor argued that under competitive capitalism, issues such as unemployment and wage levels appeared to be 'the consequence of impersonal forces beyond human control' (1973). In contrast, under monopoly capitalism, the inequalities generated by capitalist development 'begin to be attributed to the conscious policies of large corporations, big unions, and government agencies rather than impersonal market forces' (1973). Thus O'Connor argued that 'the growth of the state sector and state spending is functioning increasingly as the basis for the growth of the monopoly sector and of total production' and conversely 'the growth of state spending and state programmes is the result of the growth of the monopoly industries' (1973: 7–8). In other words, he argued that the growth of the state was both the cause and effect of the expansion of monopoly capital (1973: 8). However, O'Connor also argued that the 'accumulation of social capital and social expenses is a contradictory process which creates tendencies towards economic, social, and political crisis' (1973: 9).

## THE WELFARE STATE IS A PRODUCT OF MODERNISATION OF SOCIETIES

Both the 'logic of industrialisation' and the functionalist Marxist approach outlined above obviously operated at a high level of generalisation. They did not, at least in their pure forms, explain much about the different manners in which welfare states developed. A more

nuanced, if still functionalist, approach was developed drawing on the concept of modernisation. This saw the welfare state as a general phenomenon of modernisation, as a product of the increasing differentiation and the growing size of societies, on the one hand, and of processes of social and political mobilisation, on the other (Flora and Heidenheimer, 1981). Flora and Alber argued that the concept of modernisation had largely replaced the traditional concept of development as well as more specific concepts such as industrialisation and democratisation. While accepting that its meaning was somewhat 'vague and ambiguous', they argued that the concept of modernisation was useful in the analysis of welfare states because of its 'emphasis on the multidimensionality of societal development', that is, the assumption of causal interrelationships among economic and population growth, social and psychic mobilisation, political development, cultural change and the transformation of the international economic and political order (1981: 38).

Flora and Alber (1981: 41) argued that the development of the welfare state could be analysed according to at least three different aspects:

- the processes of differentiation of individual and household income, of working and living place which created specific labour market problems that must be solved by the state;
- the evolution of social rights as a consequence of (or compensation for) the institutionalisation of political rights; and
- the increasing control, substitution and supplementing of markets (and to some degree of associations) by state bureaucracies.

In their examination of the introduction of social insurance legislation in Europe (which we consider in more detail in Chapter 5), Flora and Alber utilised the following key variables drawing on the modernisation approach:

- socio-economic development (that is, the level of industrialisation and urbanisation);
- the political mobilisation of the working class (the percentage of votes in national elections for working class parties); and
- constitutional structures (that is, the extension of suffrage and the contrast between constitutional-dualistic monarchies and parliamentary democracies).

Contrary to what might have been expected, their study found that in contrast to the pioneering countries which first established social insurance legislation in different areas, the follower countries

established their systems 'usually at a slightly higher level of socio-economic development and generally at a much higher level of political mobilisation' (Flora and Alber, 1981: 61). However, consistent with the modernisation approach, they found that countries which introduced social insurance schemes at relatively low levels of socio-economic development were characterised by relatively high levels of political mobilisation of the working class and, conversely, that countries which introduced social insurance schemes at relatively low levels of political mobilisation were characterised by relatively high levels of socio-economic development, leading to social problems which 'necessitated' the introduction of such institutions.<sup>1</sup> Flora (1986: xx) argues that in Western Europe 'the modern welfare state originated as an answer to specific problems of the new industrial working class' and that 'the fact that the modern welfare state originated in the late-nineteenth century in Europe may thus be simply explained by the comparatively high levels of industrialization and democratisation achieved in this region of the world' (1986: xiii).

However, while Flora saw the evolution of the welfare state as a universal aspect of modernisation, he did also recognise the diversity of welfare states which exist in Europe. In looking at the diversity of welfare states, Flora (1986) argued that at least two basic dimensions of institutional infrastructure were relevant:

- the degree to which the state had 'penetrated' the welfare institutions, that is, the *stateness* of the welfare state; and
- the degree to which the welfare institutions reflect social differentiations. Amongst other things, Flora argued that different class structures tended to lead to different types of welfare state and that, for example, the more homogenous the industrial working class, the greater were the chances for the development of a uniform system of income maintenance.

This latter point leads us to our next range of theses, which focus in much more detail on the role of politics and social class in the development of welfare states.

## THE WELFARE STATE IS SHAPED BY STRUGGLES OVER POLITICS AND SOCIAL CLASS

A subsequent range of studies criticised the emphasis in the structural approach on the functional necessities in terms of the requirements

---

<sup>1</sup> There were, however, a number of outlying countries which introduced social insurance legislation 'too early' to fit into this analysis; this is discussed in more detail in Chapter 5.

of industrialism and the composition of the population and instead focused on the role of politics and social class in determining the structure of welfare states (Korpi, 1980). In particular, studies emphasised the importance of the mobilisation of workers (or wage earners) and of social democratic or left-wing parties. One of the best theoretically grounded approaches in this tradition is that outlined by Walter Korpi in a series of studies.

## POWER RESOURCES

The main principles of the 'power resources' approach can be outlined as follows (Korpi, 1980; 1989):

- Control over power resources is a major factor affecting the functioning of the distributive processes within society, what the outcomes of these processes are and how distribution conflict is patterned. Therefore, control over power resources played a major role in determining the structure of the welfare state.
- Distribution of power resources in capitalist democracies can vary between nations and also change over time.
- Major power resources in capitalist democracies are assumed to be related to class structures. The types of power resources that can be mobilised and used differ in class-related ways. In the market, capital and economic resources form the basis of power. In contrast, in the field of politics the principal power resources are the right to vote and the right to organise for collective action.
- Political democracy plays an important role in the processing of conflicts of interest.

## SOCIAL DEMOCRACY

The power resources approach is not necessarily confined to an analysis which argues that social democracy is the key to the development of the welfare state. It could also be utilised to analyse the impact of other key social classes and political actors. Indeed Korpi argued against any interpretation of the power resources approach as a 'one-factor theory claiming to explain welfare state development more or less exclusively in terms of working class or left strength' (1989: 312). Thus he argued that 'the power resources approach does not ... imply that social policy development is based on the organisational and political power of the working class and left parties alone' (1989: 313). Nonetheless, Korpi and his colleagues, many from a Scandinavian background, did, in fact, focus mainly on the role of social democracy and the mobilisation of wage earners in the development of welfare states. Further, their findings tend to



support the social democratic thesis. For example, in a study of the development of sickness benefits in 18 OECD countries since 1930, Korpi (1989) found that left party government participation had been an important factor during both the pre-War and the post-War periods in the development of sickness insurance (1989).

Some of those operating within the broad social democratic approach have recognised the limitations of relying exclusively on an emphasis on the role of the working class in the development of the welfare state. Esping-Andersen (1985), in his study of the development of the welfare state in Scandinavia, emphasised the importance of class coalitions. Nonetheless, in this approach, the social democratic party remained the key player in building the cross-class coalitions. However, the social democratic approach has, subsequently, been subjected to more sweeping criticisms. In particular, it has been criticised for its failure to take into account the key role of the middle classes (Baldwin, 1990) and the role of employers (Swenson, 2002; Mares, 2003). It is important to note that these criticisms are not necessarily of the power resources approach *per se*, but rather of its narrow application to social democracy and the working class.

### THE ROLE OF THE MIDDLE CLASSES

Baldwin, in his study of the development of social insurance in Britain, France, Germany, Denmark and Sweden in the period from 1875, has emphasised the important role of the middle classes and argued that the social democratic approach should be seen as 'but one instance of a broader logic of social interest behind the welfare state and its development' (1990: 8–9). He has made the case for the importance of including other classes, in particular the middle classes, in the analysis of welfare state developments. Baldwin has argued that 'the concerns of particular social groups did determine social policy in an immediate sense' (1990: 289) and that the middle classes were one of the key social groups in this regard. His detailed historical study questions the social democratic interpretation even in its heartland of Scandinavia where 'the unique features of the Nordic welfare states were determined by the interests of the politically emergent agrarian middle classes neither to be excluded from the benefits of social policy, nor to bear more of the costs than could be displaced to their urban opponents' (1990: 289). Similarly, he argues that welfare state development in Britain and Scandinavia after the War 'reflected not only the interests of the poor, but equally so the middle-classes' desire to be favoured by statutory generosity'



(1990: 289–90). Similarly, van Kersbergen (1995) has highlighted the role that Christian democracy has played in developing the welfare state in many European countries.

### BRINGING EMPLOYERS BACK IN

A number of recent studies, also critical of the social democratic approach, have emphasised the role of employers in the development of welfare states (Swenson, 2002; Mares, 2003). Swenson, for example, points out that the power resources approach (at least in its social democratic variant) cannot explain the development of the New Deal in the United States of America. Swenson states that much theorising to date has simply assumed (rather than demonstrated) that employers were opposed to the development of welfare states and that the level of opposition was broadly the same across time and across nations. He argues that this assumption is unsustainable and that without examining in detail employers' positions across times and across nations, an emphasis solely on social democracy can be misleading. It cannot, for example, determine whether the strength of social democracy is correlated (either negatively or positively) with the strength of capital. In practice, Swenson (2002), in his historical study of the development of welfare states in Sweden and the United States of America, outlines how employers have frequently favoured the development of social policy measures. He argues that there is usually a 'regulatory logic' to the interests of employers who often 'like government regulation when they see a net benefit and little risk' (2002). Welfare policies can provide such regulation. There are, however, many obstacles and handicaps in the way of employers attempting to implement such interests and in practice 'reformers with considerable organizational distance from the capitalist world (mostly liberal democrats in the US and social democrats in Sweden), were usually responsible for taking the policy initiative' (2002).

Mares (2003), drawing on evidence from the development of welfare states in France and Germany, makes broadly similar criticisms of existing approaches. Mares argues that 'social policies play an important economic role for the labour market strategies of firms' (2003: 9). She suggests that the presence of skilled workers, firm size and the relative incidence of risk facing a firm can affect employer preferences for social policy developments. Swank and Martin (2001) also provide evidence in support of this approach, arguing that the organisation of employers shapes social policy support amongst firms and affects social policy outcomes. In particular, the authors argue that the centralisation and cohesion of employer groups and economic co-operation across enterprises positively affects welfare state outcomes.

## RECENT STUDIES

A number of recent studies have re-emphasised the role of the working class or of social democracy in the development of welfare systems – albeit with some modification of earlier theories (Hicks, 1999; Huber and Stephens, 2001). Hicks' interesting qualitative and quantitative study of the development of welfare states over the period from about 1880 argues that 'the political organizations and organizational politics of employees ... are the most persistently powerful forces operating to advance income security policy' (1999: x). Huber and Stephens, again combining quantitative and historical approaches (focusing on the period from 1945), utilise a 'power constellations' approach involving (a) class power, (b) the structure of the state and of state–society relations, and (c) the complex of relations in the international economy and the system of states. Their basic conclusions are that 'social democratic incumbency led to the construction of large welfare states, with generous entitlements, a heavy emphasis on public provision of social services, on labor mobilization and on redistribution through the tax and transfer system' (2001).

## WELFARE STATES ARE SHAPED BY THE SOCIAL ORGANISATION OF PRODUCTION

A nuanced theory of the development of the welfare state, drawing on a structural neo-Marxist approach but having regard to the role of social classes and the state, has been developed by Quadagno (1988). Quadagno argues that welfare programmes are not a unique feature of advanced capitalist countries and that, since at least the sixteenth century, public welfare benefits have performed the functions of providing support to the vulnerable and in allocating labour (1988: 6). Thus welfare programmes have developed in response to the progression of industrial capitalism, and the nature and form of welfare states is determined by the social organisation of production. Recognising that the timing and structure of welfare programmes vary considerably between countries, she argues that 'the link between welfare state development and forms of social production may be modified in an advanced capitalist state if labor obtains the political resources to free welfare programs from market criteria'. She argues that 'the welfare state may be, but certainly is not invariably or even usually, in opposition to property and market forces' and that 'workers' ability to wrest social benefits from the market depends on their position in the state hierarchy' (1988: 7).

In this social organisation of production thesis, Quadagno draws on two key insights from neo-Marxist writing. First, that the state is (only) relatively autonomous in mediating between different social classes, and second, that the political process operates at a number of different levels. Poulantzas argues that the capitalist state has 'a precise role as political organizer and unifier and as a factor for the establishment of the "unstable equilibrium of compromises", which role is constitutively connected with its relative autonomy' (1973: Ch. 4, 1976: 71). The concrete form taken by this relative autonomy depends upon 'the precise conjuncture of the class struggle at any one time'. The term 'relative' in the expression 'relative autonomy of the state' refers to the relationship between state and dominant classes, that is, it refers to the class struggle within each social formation and to its corresponding state form. The principles of the Marxist theory of the state lay down the general, negative limits of this autonomy, that is, that the state (in the long run) can only correspond to the political interests of the dominant class or classes. But within these limits, the degree, extent and form of autonomy can only be examined with reference to a given state and to the precise conjuncture of the corresponding class struggle (the specific configuration of the power bloc, the degree of hegemony within that block, the relations between the differing classes and fractions) (1976: 72). Poulantzas does not take account of factors such as race and gender, which must now also be incorporated into such an analysis.

Offe (1984: 159–60) provides an analysis of the nature of the political process in which political outcomes are decided. This, he argues, can best be conceived of as consisting of three tiers (or three cumulative arenas of conflict). The first and most visible is the arena of political decision making within the state apparatus. Here the actors are the political elites competing with each other for electoral victories and scarce resources who decide on social policy programmes, legislation and budgets. This, he points out, is the most superficial and most visible level of politics and is the level at which analysis tends to focus. But, Offe argues, 'the space of possible decisions of political elites is determined by societal forces that, on a far less visible level, shape and change the politicians' view and perception of reality, i.e. of the alternatives open to decision makers and the consequences to be expected from each of the alternatives. This is the level at which the agenda of politics and the relative priority of issues and solutions is determined ...' (1984: 159). At this level it is more difficult to identify specific actors and 'the forces operating here are most often the aggregate outcome of a multitude of anonymous actors and actions' (1984: 159). The important point,

he argues, is that although the power to structure the politicians' reality, agenda and attention cannot be as easily traced back to personal actors, as is the case on the first level of political conflict, there is a 'matrix of social power according to which social classes, collective actors and other social categories have a greater chance of shaping and re-shaping political reality, opening or closing the political agenda, than others' (1984: 160). Underlying this is a third level at which changes within the matrix itself occur, that is, changes in the relative weight that collective actors enjoy in shaping the agenda of politics.

Combining these two approaches, Quadagno (1988) locates the development of old age pensions in the United States of America in a complex set of economic, political and social forces. In particular she argues that in the United States the late unionisation of mass production workers, a powerful private sector and the dualism of the US economy (that is, primary production in the South as against industrialisation in the North), all help to explain the particular form which pension policy took in that country.

## THE WELFARE STATE IS DETERMINED BY THE STRUCTURE AND INTERESTS OF THE STATE OR POLITY

### STATE-CENTRED

This approach emphasises the role of the state (or polity) in the development of the welfare state (Skocpol, 1985). There are two distinguishable aspects to the state-centred approach that Skocpol puts forward. First, in contrast to the neo-Marxist theory, and drawing on the basic understanding of the state of scholars such as Max Weber, Skocpol argues that states 'are not simply reflective of the demands or interests of social groups, classes or societies' (1985: 9). This is, in itself, not inconsistent with the neo-Marxist argument that states are in the last instance reflective of these interests. However, Skocpol goes further by referring to the possibility of 'fully autonomous state actions' (1985: 15).

Second, Skocpol advances 'an alternative frame of reference ... perhaps even more important than the view of state as actor' (1985: 21). This 'Tocquevillian' view sees states as 'configurations of organization and action that influence the meanings and methods of politics for all groups and classes in society' (1985: 28). Skocpol sees this approach as 'entirely complimentary' to the state as actor interpretation.

Weir and Skocpol (1985) apply this approach to explaining the different responses to the Great Depression in Sweden, Great Britain

and the United States of America. The authors outline how Sweden aimed to become a full-employment society with high levels of public spending on social welfare, the United States of America also adopted a broadly Keynesian approach but Great Britain, despite being a pioneer in establishing public social welfare programmes, did not adopt a Keynesian approach nor extend public social benefits until after the Second World War (1985: 108–9). Having rejected a number of possible explanatory theories for these differences (such as functionalism and working-class strength), the authors outline a state-centred theory to explain the different responses. They suggest that two key factors explain the policy differences: the established policy approaches for addressing problems of unemployment; and the institutional mechanisms they provide for allowing economic experts to participate in public policy making. In Great Britain, policy discussions focused, in the absence of any tradition of extensive public works, on unemployment benefits. In contrast, the Swedish government was able to build on existing work on public works carried out by a national Unemployment Commission. Also, in Great Britain in the 1930s the authors argue that the Treasury was in effective control of policy development and 'a profound bias against policy innovations contravening economic orthodoxy spread throughout the entire British apparatus' (1985: 127). In contrast, Swedish economists were more readily involved in the policy-making process.

### A BROADER INSTITUTIONAL APPROACH

The main protagonists of the state-centred approach have now all developed their theories further (see Orloff, 1993b; Amenta, 1998). Skocpol (1992), in her detailed study of the early development of the US welfare state, has outlined a 'polity centred' approach which sees the polity as 'the primary locus of action, yet understands political activities, whether carried out by politicians or by social groups, as conditioned by the institutional configurations of governments and political party systems' (1992: 41). This framework, which includes not only the state but also 'party organizations' and 'politically active groups' as part of the polity, draws attention to four types of processes: (a) state and party formation and transformation; (b) the effects of political institutions on the identities, goals and capacities of social groups; (c) the fit between the goals and capacities of groups and the points of access and leverage allowed by political institutions; and (d) the effects of policy feedback. Skocpol argues that the reasons why the United States of America developed distinctive types of social policies can only be understood by situating

policy making within a broader, organisationally grounded, analysis of American political development (1992: 526).

A variation on this approach, from the Tocquevillian perspective, has emphasised the manner in which formal and informal constitutional structures impact on welfare state outcomes (Immergut, 1992). Much recent work in an 'institutional' vein has tended to focus on the nature of political institutions rather than the 'state as actor'. Institutional theorists have argued that the diffusion of political authority has been a key impediment to the development of the welfare state in the United States (for example, Steinmo and Watts, 1995), while Huber and Stephens (2001), in their comparative study of the development of post-War welfare states, also argued that political structures have played a key role both in the development of welfare and in facilitating or blocking its retrenchment.

## DISCUSSION

The theories outlined above are not necessarily mutually exclusive and comparative studies have argued that factors emphasised by a number of different approaches have an impact on welfare state development (Huber and Stephens, 2001). It should also be emphasised that the approaches outlined above are certainly not exhaustive and are simply indicative of some of the main trends in welfare state theorising in recent decades. In a number of cases, there is considerable variation in the approach taken by different authors within different approaches.

There are a number of important aspects of welfare state theory which it is not possible to incorporate into the approaches outlined above. These include the impact of religion and of the family. Castles suggests that 'differences in religious adherence and/or in degrees of secularisation between advanced nations may be as relevant to understanding cross-national variants in a wide range of public policy outcomes as the impact of socio-economic and political factors' (1994: 19). Using Catholicism as an example, he argues that religion can have an impact on policy areas as diverse as welfare expenditure, family policy and labour market policy outcomes, particularly where gender related outcomes are at issue. Fahey (2002) argues that there is a need for greater emphasis on the role of the family and on agrarian social classes as influences in the formation of welfare states. He seeks to bring together and extend these perspectives by exploring the role of state support for family based economic production, especially family farming, in the evolution of welfare regimes. He argues that family employment is a de-commodified alternative to wage labour and that such family employment

received extensive support in many welfare states at various points during the past century.

## CURRENT STRANDS IN WELFARE STATE THEORY

In the previous section, we looked at some of the main strands in welfare state theory. In this section, we conclude this chapter by looking at some of the key issues in current welfare state theories. Many of these issues are discussed in more detail in coming chapters (Globalisation in Chapter 3, Gender in Chapter 4, and Typologies of Welfare in Chapter 6). The key strands in current welfare state thinking can be summarised under the following headings:

- 1 Further development of existing theories
- 2 Gender and the welfare state
- 3 Typologies of welfare
- 4 The return of structural theories
- 5 Politics *with* markets

## FURTHER DEVELOPMENT OF EXISTING THEORIES

The further development of existing theories includes both approaches which seek to add new elements to existing theories and those which seek to bring together and make sense of a number of the different approaches outlined in the first section of this chapter. The former group includes studies which have added to the politics and social class approach by investigating the role of employers in the development of welfare states (Swenson, 2002; Mares, 2003) and those which have applied the power resources approach in the context of welfare state retrenchment (Korpi and Palme, 2003; Allan and Scruggs, 2004). The latter approach, seeking to draw on a range of alternative theories to the development of the welfare state, includes studies such as Huber and Stevens (2001) and Castles (1998). Many of these studies have already been discussed in the previous section.

## GENDER AND THE WELFARE STATE

There has been little reference to gender in this chapter. This issue is addressed in Chapter 4, but its absence here is not due to the organisational structure of this book but rather to the fact that most of the approaches outlined here made little attempt to integrate gender into their analysis of welfare state developments. Unfortunately, despite its importance, gender remains a minority topic in the study of welfare states. Despite the undoubted increase in the number of



studies of gender and welfare, research in this area is starting from a very low base. There are still only a minority of 'mainstream' welfare state theorists who seriously attempt to incorporate gender into their analysis of the welfare state (see, for example, Huber and Stephens, 2001) and serious study of issues of gender and welfare has tended to be confined to a small number of (almost all female) researchers.

## TYOLOGIES OF WELFARE

Although a number of earlier authors did examine the issue of welfare state typologies, it is really only since the publication in 1990 of Esping-Andersen's classic study *The Three Worlds of Welfare Capitalism* that the study of welfare state typologies has really taken off. Since then the 'welfare modelling business' (Abrahamson, 1999) has been booming and this despite Peter Baldwin's description of typologising as 'the lowest form of intellectual endeavour' (1996: 29). Given the importance of welfare state typologising in the social policy debate, Chapter 6 of this book is dedicated to an examination of these studies.

## THE RETURN OF STRUCTURAL THEORIES

As Myles and Quadagno aptly put it, 'at the very moment when political theories of the welfare state seemed to have relegated the 'logic of industrialism' thesis with its emphasis on the over-determining role of large impersonal economic forces to the critical list, the theory was revived in new form' (2002: 41). The new spectres haunting welfare state theorising include globalisation, deindustrialisation and the 'new politics of welfare'.

## GLOBALISATION

Just like typologising, studies of globalisation and the welfare state are a growth industry. Whatever impact globalisation may have had on the welfare state itself, it has certainly led to a massive increase in articles and books examining the impact of economic integration. As outlined in Chapter 3, these studies have yet to arrive at a consensus as to whether globalisation leads to increased welfare state spending, significant reductions or restructuring in the welfare state or to some element of convergence.

## DEINDUSTRIALISATION

An alternative structural explanation for recent changes in the welfare state is the role of deindustrialisation (Iversen, 2001; Iversen

and Cusack, 2000). Iversen and Cusack (2000) have challenged the importance of globalisation in a radical manner, arguing that the relationship between trade openness and welfare state expansion is spurious and that such expansion has, in fact, been driven by deindustrialisation, that is, by the major changes in occupational structures which have occurred in all advanced industrial societies in recent decades. They reject the globalisation thesis on the basis that a causative link between indices of globalisation (such as trade) and welfare state pressures cannot be found. Drawing on data from 16 core countries they found no evidence of greater variation in output, employment and wages in more open economies (in terms either of trade or capital market openness) than in more closed economies.

Having rejected the globalisation thesis, Iversen and Cusack (2000) argue that, in fact, the main sources of labour market risk are to be found in domestic economic processes and, in particular, in the labour market dislocations associated with major shifts in occupational structures. Their argument is both that labour market risks 'are generated across the interfaces between economic sectors requiring very different types of skills' and that employers that provided social benefits are also constrained by the transferability of skills (2000: 325). Where a worker has to cross the interface to a different occupational sector, he or she may be left unemployed or only able to find work at a substantially reduced wage (including social benefits). Accordingly, there will be a demand on the state to provide protection against these risks.

Testing their theory econometrically, Iversen and Cusack found that none of the globalisation measures gave a statistically significant impact on spending. In contrast, deindustrialisation was found to be correlated with an increase in welfare state spending as predicted by their theory. They argue that 'exposure to risk in the labour market is a powerful determinant of peoples' preferences for state protection and public risk sharing' (2000: 324). The main source of this risk, they believe, is to be found in the domestic economic process. In particular, they argue that the 'labour market dislocations associated with major changes in the occupational structure have been a driving force behind the expansion of the welfare state' (2000: 324–5). In the period from 1960, they highlight the 'massive sectoral shift' from agriculture and industry to services (2000: 325). Such changes in the occupational structure, they argue, are mediated by 'the transferability of skills and social benefits' (2000: 325). Skills allow people to cross over into different economic sectors (to 'transgress the interfaces defined by skills discontinuities') and benefits provide compensation to people during a transition or on a failed transition. As Iversen and Cusack point out, where large numbers of people face the risk of having to make such 'travels',

demand for state-sponsored compensation and risk-sharing will be high (2000: 326).

### NEW POLITICS OF WELFARE

A further, largely structural, approach to the analysis of the welfare state is the 'new politics of welfare' developed primarily by Paul Pierson (1996, 2001). Pierson argues that, in contrast to previous decades when the growth of the welfare state was under examination, a different approach is needed in a context of retrenchment and austerity.<sup>2</sup> Pierson argues that welfare state expansion involved the enactment of popular policies but, by contrast, welfare state retrenchment requires governments to pursue unpopular policies that must stand the scrutiny of both voters and entrenched interest groups (1996: 143–4). He adopts a largely structural account of the pressures on welfare states and argues that the power resources approach does not greatly help to explain retrenchment.

Pierson identifies four main 'post industrial' pressures on the welfare state:

- *The slowdown in productivity growth and consequently economic growth associated with the shift from manufacturing to service employment* Pierson (2001: 83) argues that, over time, productivity improvements are the key to sustained economic growth. However, the massive occupational shift which has been and is taking place in most advanced nations from manufacturing to service employment threatens to undermine that productivity growth. While the precise levels of productivity growth in the different sectors may be open to question, Pierson argues that it is highly unlikely that services will be able to match the productivity growth typical of manufacturing. Inevitably, Pierson argues, this will lead to slower economic growth over time. This in turn will generate 'acute problems for welfare states' (2001: 86). First, slower economic growth will impact on the level of funding available (through taxation) for the welfare state. In addition, if slower economic growth leads to higher unemployment, this creates extra pressures on the welfare state. Further, the growth of service employment creates pressures

---

<sup>2</sup> Despite Pierson's nuanced approach to the issues of retrenchment, his choice of the terms 'retrenchment' and 'austerity' is perhaps somewhat problematic. It is difficult to reconcile a situation where most European countries are, in economic terms, richer than they have ever been and spending on average 20 per cent of this wealth on social protection with a situation which could be classified as 'permanent austerity'.

between the goals of employment growth, wage equality and budgetary constraint. Service sector employment can only occur through the private sector at the price of increased inequalities in wages or through the public sector at the cost of increased budgetary pressures. Countries which do not allow an increase in wage inequalities and at the same time impose budgetary restraint are likely to constrain service employment and hence see rising levels of unemployment (Iverson, 1998).

- *The gradual expansion, maturation and 'growth to limits' of government commitments* Pierson (2001: 88) identifies a second source of pressure as being the maturation of welfare states. Policy measures introduced in previous decades have now grown to their mature levels with consequent increases in the level of funding required. Pierson cites healthcare and pensions as the most important components of this process.
- *The demographic shift to an older population* Pierson (2001) argues that the well identified tendency to an ageing of the population in all developed countries will create significant pressures on the welfare state, for example, through increased healthcare and pension costs. The ageing of the population arises from increased longevity and from the fall in the birth rate, which means both that older people are living longer (and therefore that there are more of them) and also that there are fewer people in the younger age brackets.
- *The transformation of household structures* The final key pressure identified by Pierson (2001) has been the change in household structures and the relationship between households and work. This includes a number of interrelated issues such as the massive increase in female participation in the paid labour force, falling fertility rates and a change in household structures arising both from an increase in lone parenthood and the increasing tendency for single people and older people to live on their own. These changes have created pressures on welfare states which were originally designed on the basis of a traditional male breadwinner household structure. Increased female participation, Pierson (2001) argues, not only generates additional revenue for the welfare state but also creates demands for new types of public social services such as childcare. Pierson also sees the increase in lone parent households as creating pressures on welfare states, given that such households are more likely to have low incomes in the absence of state supports.

While this account is broadly structural, applying across the board to all advanced welfare states, Pierson does recognise that the pressure

on welfare states 'retains a distinctly national character' (2001: 99). There are, for example, significant variations in the degree to which countries are facing pressures from population ageing. Facing these pressures, Pierson identifies the sources of the welfare state's political strength as of two basic types: the electoral incentives associated with the programmes which retain broad and deep popular support and the 'institutional stickiness which further constrains the possibilities for policy reform' (2001). The issue of popular support for the welfare state is discussed in more detail in Chapter 8. In relation to institutional stickiness, Pierson argues that there are both formal and informal institutional veto points which can make more difficult measures to retrench welfare state spending and also that there are 'path dependent' processes which 'tend to lock existing policy arrangements into place' (2001). These issues, and Pierson's more detailed analysis of measures of retrenchment, are discussed in more detail in subsequent chapters.

It should, however, be noted here that some studies focusing on replacement rates, rather than overall welfare state spending, have argued both that there has been a greater degree of retrenchment than accepted in Pierson's account and that class related politics remain relevant to welfare outcomes (Korpi and Palme, 2003; Allan and Scruggs, 2004). Clayton and Pontussen (1998), looking at public services, inequality and poverty, also argue that there has been a greater degree of retrenchment than identified by Pierson. These debates will be discussed in more detail in Chapter 7.

## POLITICS WITH MARKETS

An important debate in recent welfare state studies has been the emphasis on the extent to which welfare states are complimentary to markets. This is, of course, in contrast to some earlier approaches (in particular the social democratic approach), which assumed that welfare states were the outcome of politics *against* markets (Esping-Andersen, 1985). One strand of this research, referred to above, is that which emphasises the role of employers in shaping the welfare state. A second strand, drawing on regulation theory, emphasises the complementarities between the welfare state and modes of production. Boyer (2002), for example, in a detailed study of the French welfare state in a comparative context, argues that in the past the welfare state has been the logical compliment of the Fordist growth regime (2002: 13). Boyer identifies a number of challenges facing this paradigm including technological change, globalisation, a shift in political alliances and what he describes as 'alarmist discourses on the inefficiency of social security' (2002). From a broadly similar perspective, a number of

researchers, whose work is brought together in Ebbinghaus and Manow's (2001) edited volume *Comparing Welfare Capitalism*, have highlighted that there are certain 'institutional complementarities' between different production regimes, industrial relation practices and social protection systems. In particular, this approach emphasises that 'the productive function of social protection has often been overlooked due to the focus on redistribution as the main goal of welfare state policies' and argues that for a 'better understanding of modern capitalism we ought to take into account the important impact of the welfare state on employment, skill acquisition, wage setting and investment' (2001: 2). Ebbinghaus and Manow's study looks in particular at possible linkages between social protection and three areas of political economy. First, the system of industrial relations, second, the production system and employment regime and third, the financial and corporate finance system. The detailed studies identify a number of important linkages in these areas; for example, they suggest 'intricate interdependencies between labour relations and labour market outcomes' (2001: 13). Similarly, they argue that 'welfare states may also serve an important function in stabilising, maintaining and enhancing production regimes by providing an educated and healthy labour force which is shielded from social risks' (2001: 14). These issues are discussed in more detail as they arise in concrete national situations in subsequent chapters.

### Summary

This chapter has:

- outlined the different theses on the development of the welfare state which argue that the welfare state is shaped by factors including: the logic of industrialisation; the needs of advanced capitalism; the modernisation of societies; the influence of politics and social class; the social organisation of production; and the structure and interests of the state or polity; and
- looked at a number of current strands of welfare state theory including: the impact of globalisation (see Chapter 3); gender (see Chapter 4); typologies of welfare state (see Chapter 6); deindustrialisation; the 'new politics of welfare'; and a new focus on the importance of employers and business on the development of the welfare state.

### Discussion points

- 1 Economic development has been more important in the development of European welfare states than the impact of political parties. Discuss.
- 2 The state and institutional structures have been one of the key influences in the development of welfare states in Europe. Do you agree?

- 3 Using the example of a recent important policy development in your chosen European country, discuss the extent to which the factors influencing policy match the different theses outlined in this chapter.

### Supplementary reading

There is an extensive literature on welfare state theories. A helpful summary is Myles and Quadagno (2002). The key texts in the development of welfare state theorising are set out in the relevant sections of this chapter. Important contributions include Baldwin's (1990) excellent account of the development of welfare policies in a number of European countries, which adopts a class coalition approach; a modified application of the social-democratic approach by Hicks (1999); and Huber and Stephens (2001), which usefully bring together a number of theoretical approaches.