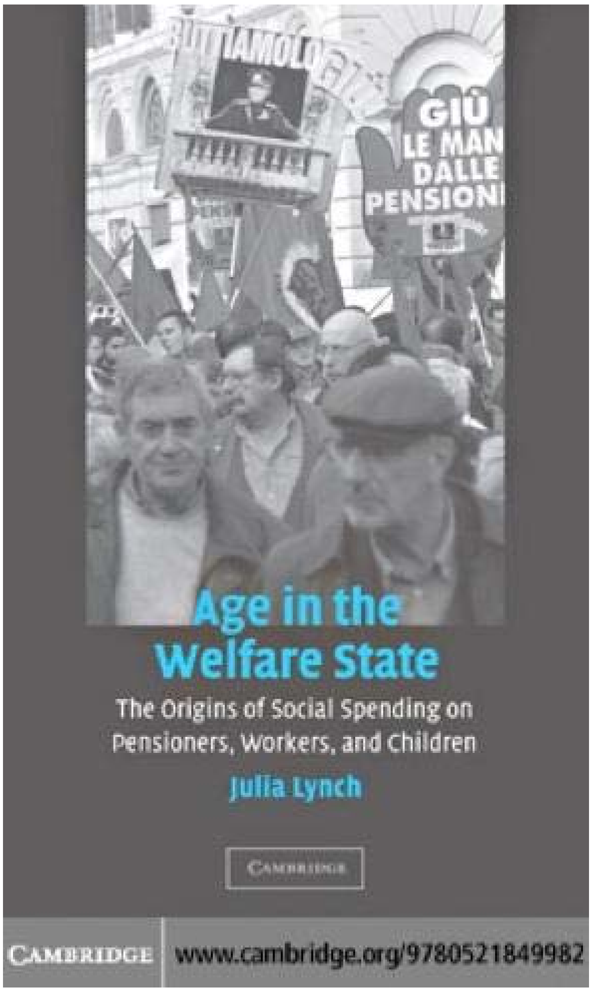

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p (1).
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=1

This page intentionally left blank

Age in the Welfare State

The overwhelming costs of providing for aging populations have brought many welfare states to the brink of insolvency. Now is the time to ask: how did we get here? *Age in the Welfare State* explains how it came to pass that some nations give the lion's share of social benefits to the elderly, while others do more to protect children and working-age adults. A sweeping work of historically and sociologically informed political science, *Age in the Welfare State* offers a surprising challenge to the conventional wisdom that welfare state policies are a result of either pressure-group politics or the ideologies of parties in power. This vividly written and exhaustively documented work draws on in-depth case studies of family, labor-market, and pension policy making in Italy and the Netherlands, as well as broader cross-sectional analysis of spending patterns in twenty OECD countries. Scholars of social policy and comparative politics, practitioners, and policy makers will be challenged by this book's startlingly new insights about the historical roots of current welfare state predicaments.

Julia Lynch is Assistant Professor of Political Science at the University of Pennsylvania. Her recent dissertation, on which this book is based, garnered the Gabriel Almond prize of the American Political Science Association for the best dissertation in comparative politics. Professor Lynch was previously a scholar in the Robert Wood Johnson Health Policy Scholars program at Harvard University, and she has been a visiting researcher at the European University Institute in Florence and the Luxembourg Income Study project in Luxembourg.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p i.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=3

Other Books in the Series

Lisa Baldez, *Why Women Protest: Women's Movements in Chile*
Stefano Bartolini, *The Political Mobilization of the European Left, 1860–1980: The Class Cleavage*
Mark Beissinger, *Nationalist Mobilization and the Collapse of the Soviet State*
Nancy Bermeo, ed., *Unemployment in the New Europe*
Carles Boix, *Democracy and Redistribution*
Carles Boix, *Political Parties, Growth, and Equality: Conservative and Social Democratic Economic Strategies in the World Economy*
Catherine Boone, *Merchant Capital and the Roots of State Power in Senegal, 1930–1985*
Catherine Boone, *Political Topographies of the African State: Territorial Authority and Institutional Change*
Michael Bratton and Nicolas van de Walle, *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective*
Michael Bratton, Robert Mattes, and E. Gyimah-Boadi, *Public Opinion, Democracy, and Market Reform in Africa*

Continued after Index

Age in the Welfare State

THE ORIGINS OF SOCIAL SPENDING ON PENSIONERS, WORKERS, AND CHILDREN

JULIA LYNCH

University of Pennsylvania

CAMBRIDGE UNIVERSITY PRESS

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press
The Edinburgh Building, Cambridge CB2 2RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521849982

First published in print format 2006

ISBN-13 978-0-511-21916-0 eBook (ebrary)
ISBN-10 0-511-21916-4 eBook (ebrary)

ISBN-13 978-0-521-84998-2 hardback
ISBN-10 0-521-84998-5 hardback

ISBN-13 978-0-521-61516-7 paperback
ISBN-10 0-521-61516-x paperback

In memory of Rue Bunzelman Deutsch

Contents

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p ix.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=11

Tables and Figures

Tables

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p x.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=12

Tables and Figures

Figures

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p xi.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=13

Abbreviations

Italy

ANF	*assegno per il nucleo familiare* (family allowance)
CENSIS	Centro Studi Investimenti Sociali (Center for Social Studies and Policies, socio-economic research institute)
CGIL	Confederazione Generale Italiana del Lavoro (left-leaning labor union confederation)
CIG	Cassa per l'Integrazione Guadagni (short-time earnings replacement benefit program)
CIGS	Cassa per l'Integrazione Guadagni Straordinaria (special short-time benefit)
CISL	Confederazione Italiana Sindacati Lavoratori (Catholic-inspired labor union confederation)
CNEL	Consiglio Nazionale dell'Economia e del Lavoro (National Council on Labor and the Economy, tripartite consultative body)
CUAF	Cassa Unica per gli Assegni Familiari (Unified Family Allowance Fund)
DC	Democrazia Cristiana (Christian Democratic Party)
FNP	Federazione Nazionale Pensionati (pensioners' union affiliated with CISL)
FPLD	Fondo Previdenza Lavoratori Dipendenti (largest state-administered pension fund, covering dependent employees)
INCA	Istituto Nazionale Confederale di Assistenza (social service agency linked to CGIL)
INPS	Istituto Nazionale della Previdenza Sociale (national social security administration)

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p xiii.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=15

ISTAT	Istituto Nazionale di Statistica (national statistical agency)
PCI	Partido Comunista Italiano (Communist Party of Italy)
(P)DS	(Partido) Democratici di Sinistra (Democratic Party of the Left, formerly PCI)
PSI	Partido Socialista Italiano (Socialist Party of Italy)
TS	*trattamenti speciali* (special unemployment insurance benefits)
UIL	Unione Italiana del Lavoro (Centrist labor union confederation)

The Netherlands

ABW	Algemene Bijstandswet (Unemployment Assistance Act)
AKW	Algemene Kinderbijslagswet (General Family Allowance Act)
AOW	Algemene Ourderdomswet (General Old-Age Pensions Act)
ARP	Anti-Revolutionaire Partij (Protestant Reform Party)
CBS	Centraal Bureau voor de Statistiek (national statistical agency)
CDA	Christen Democratisch Appel (Christian Democratic Appeal, formed in 1980 from merger of Catholic and Protestant parties)
CNV	Christelijk Nationaal Vakverbond (Catholic trade union confederation)
FNV	Federatie Nederlandse Vakbeweging (largest Dutch trade union confederation)
JWG	Jeugdwerkgarantiewet (Youth Work Guarantee Law)
KVP	Katholieke Volkspartij (Catholic Peoples' Party)
NVV	Nederlands Verbond van Vakverenigingen (Socialist trade union confederation, merged to form part of FNV in 1981)
PPR	Politieke Partij Radicalen (Radical Party)
PvdA	Partij van de Arbeid (Labor Party)
RWW	Rijksgroepsregeling voor Werkloze Werknemers (Unemployment Assistance Act)
SER	Sociaal-Economische Raad (Socio-Economic Council)
SVB	Sociale Verzekeringsbank (Social Insurance Bank)
VUT	Vervroegde Uittreding (private early retirement pension provision)
WAO	Wet op de Arbeidsongeschiktheidsverzekering (Disablement Insurance Act)
WIW	Wet Inschakeling Werkzoekenden (Job-Seekers Employment Act)
WW	Wet Werkloosheidsvoorziening (Unemployment Insurance Act)

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p xiv.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=16

WWV Wijziging Wet Werkloosheidsvoorziening (Extended Unemployment Insurance Act)

International

ILO International Labour Office
IMF International Monetary Fund
LIS Luxembourg Income Study project
OECD Organization for Economic Cooperation and Development

Miscellaneous

ENSR Elderly/Non-elderly Spending Ratio
GDP Gross Domestic Product

Country Abbreviations Used in Figures

AUS Australia
AUT Austria
BEL Belgium
CAN Canada
DEN Denmark
FRA France
FIN Finland
GER Germany
GRE Greece
IRE Ireland
ITA Italy
JPN Japan
LUX Luxembourg
NET Netherlands
NOR Norway
NZL New Zealand
POR Portugal
SPA Spain
SWE Sweden
UK United Kingdom
US United States

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p xv.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=17

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p xvi.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=18

Acknowledgments

This book has been many years in the making, the vast majority of which have been enjoyable. I attribute this in large part to the fact that it was truly a joint effort. It would not have been possible for me to research, write, or complete it without the invaluable contributions of various funding institutions, mentors, colleagues, friends, and family.

I owe deep intellectual debts to many: to Gøsta Esping-Andersen, who set me on the right track; to John Zysman, Jonah Levy, and Henry Brady, who gave me the right tools and showed me how to use them; to Maurizio Ferrera and Tim Smeeding, who always showed faith and backed it up with good works; and especially to Karen Anderson and Sara Watson, who have always been generous and who just keep getting smarter every year. Numerous colleagues – among them Melani Cammett, Andrea Campbell, Anna Grzymala-Busse, Katie Carman, Evan Lieberman, Lauren Morris MacLean, Paul Pierson, Mark Vail, Rob Weiner, Christa van Wijnbergen, and Daniel Ziblatt – gave intelligent feedback at crucial moments. I cannot thank these wonderful people enough.

Field work for this project was financed with a National Science Foundation Graduate Research Fellowship, a Social Science Research Council International Dissertation Field Research Fellowship, and an Alan Sharlin Memorial Award from the Institute for International Studies at the University of California, Berkeley. Financial support during writing and rewriting came from another Sharlin Award and a John L. Simpson Memorial Research Fellowship, also administered by the Institute for International Studies at Berkeley, and from a most generous fellowship from the Robert Wood Johnson Health Policy Scholars program.

While in Italy, I relied heavily on the kindness of the European University Institute in Florence. Since my first venture to Italy in 1993, the faculty, staff, and researchers of the EUI have provided me with a home away from home and a vibrant intellectual community. The Robert Schuman Centre's 1998–9 European Forum on "Recasting European Welfare States" provided an ideal environment for testing out new ideas during my stay in Italy and beyond. I would particularly like to thank Stefano Bartolini and Martin Rhodes for making the resources of the EUI available to me on repeated occasions.

My research in Italy would not have been possible without the support of Maurizio Ferrera, whose kindness, generosity, and belief in the project has sustained me through many rough patches. I would also like to thank Marino Regini and Daniele Franco, as well as librarians Peter Kennealy at the EUI, Oreste Bazzichi at Confindustria, and Mila Scarlatti at the Centro Studi CISL. Aedin Doris, Jackie Gordon, Ann-Louise Lauridsen, Dan Oakey, Jacobien Rutgers, and Joanna Swajcowska supplied moral and immoral support at crucial moments during my Italian sojourns.

In the Netherlands, Anton Hemerijck was a welcoming beacon, setting me up with logistical support from the University of Leiden and providing me with the feedback and intellectual support necessary to research a case study effectively in a short period of time. The staff of the library at the Ministry of Social Welfare and the experts gathered at the Hugo Sinzheimer Institute in Amsterdam amazed me with their patience and expertise. Nelleke van Deusen-Scholl and Heleen Mastenbroek managed to teach me workable Dutch in a period of about five months, a feat that shall never cease to amaze me. Karen Anderson, Jacobien Rutgers, and Bauke Visser helped to make my time in the Netherlands pleasant as well as productive.

Logistical support in the final phases has come from my terrific TS-CS guru, Ben Goodrich; from Todor Enev, whose deeply intelligent data sleuthing makes the term "research assistant" utterly inadequate; and from Melanie Daglian, whose positive energy made preparing the final manuscript an enjoyable task. Tom and Emma were there at the beginning and saw it through to the end. There are no two better friends with whom to go through life. Last, this book is dedicated to my very special grandmother, Rue Bunzelman Deutsch. As we both got older, she became my partner in crime, showing me that sometimes the true meaning of intergenerational solidarity comes down to poking fun at the middle generation.

Philadelphia, Pennsylvania
November 2005

1

Introduction

Welfare states work better for some age groups than for others. Social programs in the United States and Italy, for example, do little to raise children out of poverty, but elderly citizens are made better off by the substantial benefits available to them. In other countries, such as Norway and Portugal, senior citizens' incomes on average are lower than in the United States or Italy, but low-income workers, families with children, and the long-term unemployed receive significant support from the welfare state. Across the industrialized countries, social programs such as public pensions, family allowances, and benefits for the unemployed vary significantly, with consequences for the well-being of different age groups in the population.

This book asks how social policies in rich democracies buffer and channel risks for the aged, the young, and working-age adults. What do different welfare states do for their elderly and non-elderly citizens? Why does the age orientation of social policies vary from country to country and over time? And what are the political consequences of different strategies for redistributing resources across different age groups in society? How and why welfare states distribute resources to different age groups is linked to broader questions of theory in comparative politics: What are the important dimensions of similarity and difference among different modes of economic regulation? Which actors impact political-economic outcomes? What is the relative importance of social and economic structures, political practices, and institutional legacies in determining the policies pursued in different countries?

The welfare state's role in caring for young people and the elderly plays an important part in political debates about welfare reform. An alleged elderly bias in American social spending has, during recent years, nourished intense political debates about generational equity. In many European countries, relatively high incomes from pensions and increasing rates of child poverty provide a fertile environment for the emergence of a parallel discussion. Unequal benefits for the old and the young provide ammunition for those who advocate providing more support for people at all stages of the life course, but also for those who wish to cut existing benefits in the name of intergenerational equity. These inequalities also serve as a reminder that welfare states can differ objectively and dramatically in their ability to insure diverse age groups in society against risks such as poverty, ill health, or social exclusion.

This book begins with an analysis of social spending patterns in twenty industrialized democracies. Welfare states do in fact differ quantifiably in the age orientation of their social policies. The first half of the book establishes a strategy for conceptualizing and measuring these differences (chapter 2), and then explores a series of competing hypotheses about why countries might vary in the age orientation of their social policy regimes (chapter 3). The second half of the book amplifies and tests these rival hypotheses systematically using paired case studies. Case studies of the development of three key social programs in Italy and the Netherlands – family allowances (chapter 4), unemployment benefits (chapter 5), and old-age pensions (chapter 6) – demonstrate the path by which two countries, sharing a set of common ideological orientations and facing similar labor market and demographic conditions in the immediate postwar period, arrived at welfare states that allocate very different roles to the state in distributing resources across generations.

Why Study the Age Orientation of Welfare States?

Welfare states vary in the extent to which they protect older and younger citizens. But traditional theories of welfare state development neither notice nor explain this variation. If welfare state scholars have until now preferred to focus on the cross-class, cross-occupation, or cross-gender distribution carried out by social policies, why should we now be concerned with the age profile of welfare states? Put simply, it is because changing socio-economic conditions mean that how welfare states cover the risks associated with different stages of the life course has become more important.

Advanced industrialized societies today are aging. At the same time, labor markets are changing, and family structures evolving. The male-breadwinner model of social organization, premised upon stable, lifelong

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 2.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=22

employment for men, has given way to more frequent or longer periods of unemployment. Families, long called upon to provide for needs not met in the marketplace or by the state, are stretched to new limits. But this is occurring just as their capacity to respond is reduced by increasing female employment outside the home, divorce, and changing fertility patterns. In the context of current demographic, labor market, and family changes, how welfare states address the risks faced by people at different stages in the life course affects both citizens' lives and the capacity of national economies to adapt to new conditions.

Demographic, social, and economic transformations confronting even the most "traditional" of Western societies affect the foundations of the political economic orders established in the period after the Second World War. How will welfare state institutions, which were created under radically different demographic, social, and economic circumstances, respond to these changes? How well will traditional institutions of social policy buffer citizens as they adapt their lives to the new social risks associated with changing work patterns and family demands? Will political sponsors of the welfare state be able to balance pressure from constituencies to both maintain established entitlements and meet new needs?

To evaluate how welfare states will stand up to these new pressures, we need to understand how they address the risks encountered by people at different stages in the life course. Quite apart from normative concerns about intergenerational justice, it is worth understanding how welfare states treat different age groups because this affects crucially the decisions individuals make about labor market participation, family organization, and investment and savings strategies. When welfare states direct resources toward families with children, for example, it can affect fertility rates, female labor force participation, and the professional preparedness of young adults. The division of labor among family, market, and state in caring for young children or the frail elderly may affect both women's emancipation and the quality of care provided. The structure and extent of public pension systems of course has consequences for labor costs and financial markets, but can also set limits on the speed and flexibility with which welfare states retool to meet new needs that affect adults during their working years. In sum, the capacity of welfare states to respond to new challenges depends critically on a characteristic that has received almost no attention in the literature on comparative social policy: the age orientation of social policies.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 3.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=23

Why Does Age Orientation Vary? Some Preliminary Evidence and Hypotheses

The age-orientation of social policies, as chapter 2 demonstrates in some detail, varies dramatically across advanced industrialized countries and in ways that upset our traditional notions of family relationships among different types of welfare states. Figure 1.1 shows the average for the years 1985 to 2000 of the ratio of direct social expenditures on the elderly (pensions and services for the elderly) to spending on the non-elderly (unemployment benefits, active labor market policy, family allowances, and family services), adjusted for the relative size of elderly and non-elderly populations in each of twenty OECD (Organization for Economic Cooperation and Development) countries. I call this measure the Elderly/Non-elderly Spending Ratio, or ENSR. It allows us to estimate the relative weight of spending on the elderly – people aged sixty-five and above or in formal retirement – versus that on working-age adults and children. This spending measure is of course only an approximation of the full range of services and benefits offered to different groups, many of which we consider in more depth in chapter 2. But the ENSR serves to introduce us to the range of variation across countries in the age orientation of social policies.

The most striking feature of the age orientation of welfare states is its transgression of the boundaries set by Esping-Andersen's (1990) seminal division of advanced countries into three "worlds" of welfare capitalism. The least elderly-oriented countries among the twenty OECD nations considered here are a mix of his "Liberal," "Conservative-Corporatist," and "Social Democratic" regimes. At the same time, two of Esping-Andersen's Liberal regimes, the United States and Japan, are clearly among the most elderly-oriented. Likewise, Conservative-Corporatist regimes run the gamut from relatively youth-oriented Belgium and the Netherlands to elderly-oriented Italy and Austria. The lack of correspondence between the ENSR and Esping-Andersen's key concept, decommodification, is easy to see in Figure 1.2. The relief from market forces that social policies provide is surely an important measure of the welfare state. But it is not enough to ask how much welfare states decommodify; we must also ask whom they decommodify.

Alternative typologies fare no better when confronted with the data on age orientation. "Christian Democratic" welfare states (van Kersbergen 1995) are as likely to be youth-oriented (the Netherlands) or age-neutral (Germany) as they are to throw their support to the elderly (Italy).

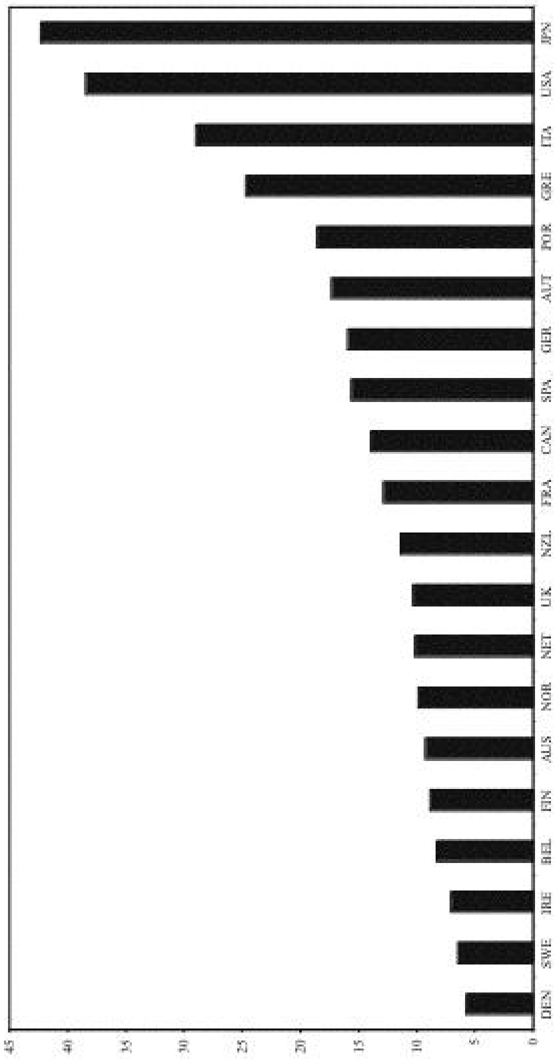

Figure 1.1 Elderly/non-elderly spending ratio (ENSR), average 1985–2000. *Sources:* Spending data from OECD 2004; demographic data from OECD 2003b.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 5.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=25

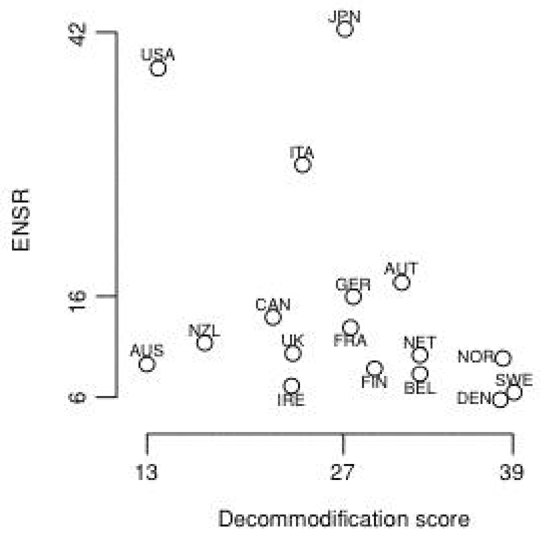

Figure 1.2 Age orientation and decommodification. *Sources:* Spending data from OECD 2004; demographic data from OECD 2003b; decommodification scores from Esping-Anderson 1990.

Neither do Mediterranean countries cluster neatly, contrary to scholarship suggesting a distinctive Southern European welfare state type (Leibfried 1992; Ferrera 1996c; Rhodes 1997). Italy and Greece look like classic "pensioner states" (Esping-Andersen 1997), but Portugal resembles Canada, the United Kingdom, and Germany more closely than it does its Southern European neighbors. The weak correspondence between the age orientation of social policy regimes and welfare state "worlds" or "families" suggests that there is an important dimension of variation among different kinds of welfare states that familiar typologies do not capture.

If standard typologies of welfare state outcomes do not correspond to the variation we've observed, it should not surprise us that the causes of divergent welfare state characteristics typically cited in the literature also fail to predict differing age orientations. As the bivariate scatter plots in Figures 1.3 to 1.5 suggest, neither the demographic structure of a country's population, its wealth or "level of development," nor the overall size of the welfare state predict consistently how welfare states will allocate resources to the elderly and non-elderly in their populations. Figure 1.5 does show an inverse relationship between total social spending and the age orientation

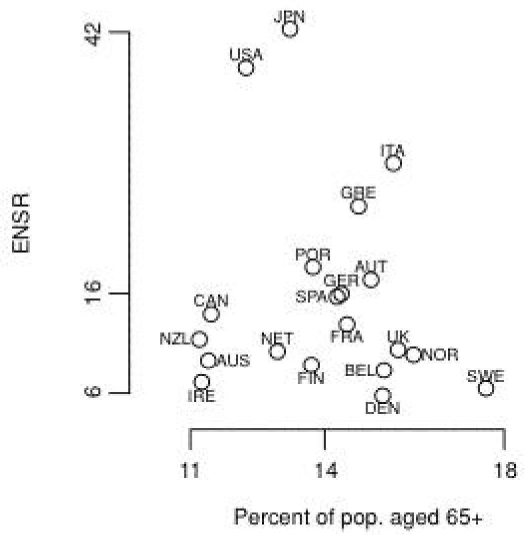

Figure 1.3 Age orientation and demographic structure. *Source:* See Fig. 1.1.

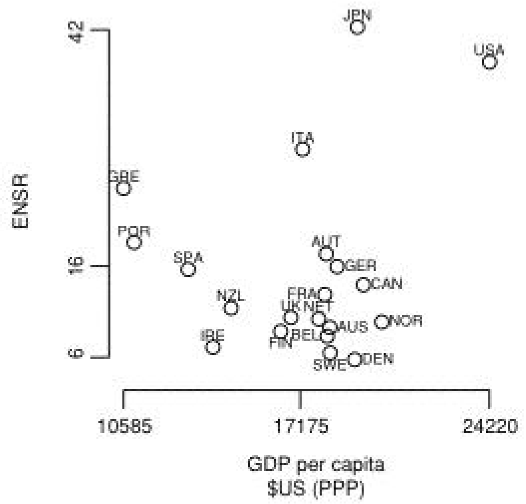

Figure 1.4 Age orientation and "level of development." *Sources:* Spending data from OECD 2004; demographic and GDP per capita data from OECD 2003b.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 7.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=27

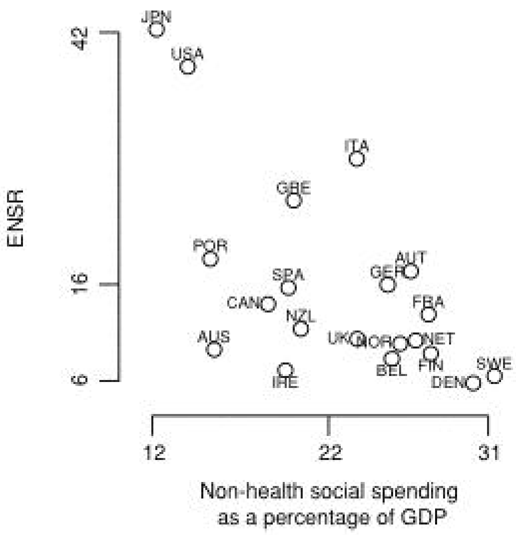

Figure 1.5 Age orientation and total welfare state "effort." *Sources:* Total non-health social expenditure data from OECD 2004; demographic data from OECD 2003b.

of the welfare state (bigger welfare states tend to be less elderly-oriented), but the presence of two very elderly-oriented outliers makes the relationship seem much stronger than it might be for the remaining countries. These data reveal the important point that there are both small (Japan) and large (Italy) elderly-oriented welfare states, and both small (Ireland) and large (Sweden) youth-oriented welfare states. At the same time, classic "power resources" variables, such as the strength of organized labor, employers' preferences, and the relative power of Left and Christian Democratic political parties, fall short of explaining differences in the age orientation of welfare states, as we see in chapter 3.

Why don't classic theories of welfare state development explain these outcomes? Some scholars have posited that the demographic structure of a population affects welfare state policies. In particular, the elderly are said to have distinctive needs and distinctive preferences that drive welfare state spending (see, e.g., Wilensky 1975; Pampel and Williamson 1989; Thomson 1989, 1993). These authors argue that traditional welfare state theories miss an important set of political actors, the elderly, because they focus too narrowly on class-based actors. A major aim of this book is to test this hypothesis about the political influence of demographic groups. Can different mixes of welfare benefits for the young and old across countries and across time be explained by pressure from welfare state constituencies in the form of age-based lobbies?

The criticism that standard welfare state theories ignore nonclass actors has merit, but shifting the focus to the role of age-based actors does not account for diverging welfare state age profiles. Two far more important problems in the comparative welfare state literature need to be addressed before it can be made to account adequately for the outcome that we are trying to explain. First, the prevailing view of politicians as largely motivated by programmatic goals must be revised to take into account nuances in the varieties of political competition. Second, we must consider how the institutional environment within which electoral competition takes place shapes welfare state regimes.

Explaining Variation in Age Orientation: The Argument in Brief

If welfare states vary in surprising ways in their protection of older and younger age groups in the population, how can we explain this variation? Why do some welfare states emphasize protection for risks during childhood and the working life, while others focus more on covering needs in old age? This book argues that two types of institutions explain this variation: the structure of welfare state programs enacted in the early twentieth century – occupationalist or citizenship-based – and the dominant mode of political competition in a polity, particularistic or programmatic.

First, as we see in chapter 3, the structure of early welfare state programs affects the populations (labor market "insiders" vs. "outsiders") that are covered by public welfare programs. Since these populations take on distinctive age profiles with the development over time of both public and private social insurance schemes, the choice of which population to cover strongly influences the eventual age orientation of social policy regimes. Second, the type of political competition characteristic of a party system affects the development of welfare state programs in the post–World War II period and determines whether elderly-oriented occupationalist welfare regimes can "switch tracks" by adding more youth-oriented citizenship-based programs. The policy studies in chapters 4 through 6 reveal affinities between particularistic politics and fragmented occupationalist social insurance regimes that make program structure and the mode of political competition extremely difficult to uncouple. In sum, this book argues that patterns of partisan

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 9.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=29

competition and social policy structures interact over time to produce durable, mutually reinforcing constellations of social policies that mature into either elderly-oriented or more youth-oriented welfare states.

Two Watersheds of Welfare State Formation

At the heart of the distinction between groups of countries with similar age orientations lie two historical bifurcations in the paths of social policy development. The first split, the basic genetic division between citizenship-based and occupational regimes, occurred in the late nineteenth and early twentieth centuries, when modern states grappled with new social and political problems arising from industrialization. A second watershed occurred in the decades around the Second World War, when most countries with occupationalist welfare systems considered adopting citizenship-based social policy regimes, but only a select group actually took concrete steps in this direction.

The initial split between citizenship-based and occupational social welfare regimes had profound consequences for the eventual age orientation of welfare spending.[1] In the countries adopting citizenship-based regimes (the Scandinavian and British Commonwealth countries), public welfare provisions developed in the gaps not covered by mutual-aid programs run by labor unions. State welfare spending supplemented preexisting private occupational benefits, and so focused on the risks most likely to be encountered by people who were not covered by mutualist benefits. In Manow's (1997) terminology, such welfare regimes "compensated" for the gaps in private coverage, offering benefits for children, women, and elderly citizens without pensions. Citizenship-based regimes contained the seeds of programs that would later develop into the mainstays of youth-oriented welfare states: support for mothers and children, and comprehensive social assistance for those with weak ties to the labor market.

[1] It should be noted that in practice many welfare states mix citizenship-based and occupationalist program types. Even prior to World War II, Sweden, for example, had a pension system that combined a flat-rate citizenship-based benefit with a supplementary contributory tier offering benefits graded according to occupation. However, throughout this book I label welfare programs that have a substantial component that is available to citizens regardless of occupation or contributory history as "citizenship-based," to distinguish them from programs in which there is no universal or means-tested entitlement independent of labor market status.

In those countries that eventually became more elderly-oriented, labor movements in the late nineteenth century relinquished control over autonomous forms of social insurance to the state. Public social insurance programs thus built on the framework of occupational programs that unions had constructed to benefit their own members. This technique of "upgrading" private occupational social insurance schemes by transforming them into state-run programs (Manow 1997) resulted in public welfare benefits that focused almost entirely on the needs of people with close ties to the labor market. In these states, social protection for groups outside the labor market remained the province of nonstate actors, primarily families and charities. Protection for people affiliated with the core labor market was provided by the state, setting the stage for elderly-oriented welfare spending in much of Continental Europe, the United States, and Japan as core work forces aged dramatically in the 1970s and 1980s. Thus, the structure of welfare programs initiated in the late nineteenth and early twentieth centuries laid the groundwork for different types of spending, resulting in a basic division between youth-oriented universalist and means-tested welfare states, on the one hand, and more elderly-oriented occupationalist regimes, on the other.

A second watershed in welfare state development, in the decades around World War II, introduced further variation into the structure of welfare state regimes, and hence into the age-orientation of welfare spending in different countries. During and immediately after the Second World War, most countries with occupationalist welfare states considered legislative proposals to introduce substantial elements of the citizenship-based, Beveridgean model pioneered in victorious Britain (Ferrera 1993). Some countries succeeded in this agenda, introducing forms of citizenship-based coverage for children, women, and others with weak ties to the labor market. Other states, however, did not, and continued on a path toward growing expenditures on an aging core work force and occupational pensioners, with minimal coverage for the rest of the population.

How can we account for the persistence of occupationalism in some countries and the introduction of more youth-oriented citizenship-based welfare policies in others after World War II? The opposing slopes of this second watershed are characterized by different modes of political competition prevalent in different countries. The countries that did not adopt universal programs in the 1930s through 1960s shared a particularistic mode of political competition that inhibited the development of substantial universal welfare programs. As the years passed, highly fragmented social security

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 11.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=31

programs continued to provide resources for clientelist politicians and to obscure the costs of political clientelism, resulting in a self-reinforcing cycle of particularistic politics, fragmented occupational welfare programs, and elderly-oriented spending.

Italy and the Netherlands: Contrasting Case Studies

The case studies of Italian and Dutch social policies in chapters 4 through 6 illustrate the "mechanism of reproduction" (see Thelen 1999; Pierson 2000) that has sustained these path-dependent welfare policy outcomes after World War II. Both Italy and the Netherlands had pure occupationalist welfare regimes before World War II, and in both countries after the war official reform commissions (the D'Aragona Commission in Italy, the van Rhijn Commission in the Netherlands) advocated moving to a universalist, citizenship-based system. Other similarities, too, lead us to expect that the Netherlands and Italy would follow a similar path after the war. Both countries belong to Esping-Andersen's (1990) Conservative-Corporatist world of welfare; in both countries the major expansion of the welfare state in the postwar period was carried out under coalitions dominated by Christian Democratic parties; and in both countries labor relations regimes were characterized by numerically weak unions and sporadic tripartite concertation. Yet Italy has a highly elderly-oriented, occupational welfare system, whereas the Netherlands is quite youth-oriented and characterized by a mix of occupational and citizenship-based programs. The Netherlands succeeded in implementing a number of new universalist welfare programs after World War II, while Italy, despite repeated attempts to do so, did not. As a result, the Netherlands entered the 1990s with a far more youth-oriented welfare system than did Italy.

Why did Italy remain a strongly occupationalist welfare regime, while the Netherlands adopted many citizenship-based programs? The key to understanding this difference is the very different ways that political competition has been organized in the two countries for much of the postwar period. Italian politics has been characterized by an extremely high degree of political particularism. By contrast, politics in the Netherlands has tended toward the programmatic end of the spectrum. This difference in the mode of political competition between Italy and the Netherlands explains why the Netherlands adopted citizenship-based welfare programs, such as universal pensions, universal family allowances, and a basic social minimum, while Italy did not.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 12.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=32

Clientelism and occupationalism interacted to prevent Italian social reformers from introducing the citizenship-based welfare regime envisioned by the D'Aragona Commission in 1947. Politicians associated with both the Christian Democratic Party and the Italian Left were influenced by the atmosphere of particularistic political competition to block the harmonization of pension benefits and the introduction of universal public pensions in Italy – not just in 1947, but also at least once in every decade since. Clientelist politicians also resisted the development of neutral state capacities such as effective taxation, which in turn stymied attempts to introduce universal benefits for children, the unemployed, and the elderly. And the complexity of occupationalist programs made it difficult for either the public or policy experts to see the results when politicians offered selective benefits in return for votes.

If in Italy the combination of fragmented, occupational welfare programs and particularistic political competition derailed attempts to introduce new universal social programs after the Second World War, the opposite was true in the Netherlands. There neutral state capacities such as universal taxation made it possible to introduce citizenship-based programs fairly easily. The ability to levy and collect taxes on the self-employed and farmers, in particular, secured labor and the Left's support for agreements that introduced universal family allowances and pensions.

The simplicity and transparency of universal programs in turn made it difficult for politicians to exchange highly targeted benefits for votes. In fact, once programs were universalized, it became impossible to increase benefits for one group without increases for all recipients. In the case of family allowances and unemployment benefits, this led to a gradual escalation of benefits, and when high unemployment hit in the mid-1970s, costs for these programs soared as the number of beneficiaries increased dramatically. In the case of public pensions, the sheer size of a program dedicated to providing a decent standard of living for the entire elderly population, combined with the ease with which future outlays could be predicted, made many potential advocates of higher pensions think twice before demanding benefit increases. The simplicity and transparency of citizenship-based social programs tended to increase pressure for spending in the benefit categories that did not provide full income replacement over a long period – generally youth-oriented programs, such as family allowances or unemployment insurance – and reduced the pressure to grant large increases in more expensive benefit categories such as old-age insurance.

The case studies in chapters 4 through 6 highlight three distinct mechanisms by which the structure of welfare state programs and the mode of political competition combine to affect the age orientation of social policies. First, the distinction between occupational and citizenship-based welfare programs determines how politicians can use welfare benefits as tender in the competition for votes, and thus alters politicians' preferences about the level of various types of benefits. Second, the structure of social programs affects how salient different types of benefits are to potential recipients, and how visible are the effects of decisions about where to allocate resources. Finally, the mode of political competition affects the resources available to politicians and policy makers who might wish to expand particular social programs.

This essentially institutionalist explanation for the variation in the age orientation of welfare states poses a challenge to the existing literature on comparative social policy on three fronts. First, the argument presented here demands that welfare state outcomes be analyzed in relation to other public policies. In particular, the link between tax systems and welfare benefits is revealed to be a crucial one, which affects both the kind of welfare benefits that constituencies demand and what politicians can offer to meet that demand. Second, this book argues that politicians matter for welfare state outcomes not so much because of their ideological orientations but because of the way they compete for votes and office. Finally, this argument downplays the role of welfare state constituencies in bringing about the policies that benefit them, and asserts instead the causal primacy of long-term processes and interactions between program structure and politicians' behavior. In other words, it supports a sharp distinction between welfare state regimes as the revealed preferences of powerful social groups, and policies as outcomes of institutionally structured processes of political interaction.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 14.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=34

2

Measuring the Age of Welfare

Welfare states clearly work to transfer resources between age groups, not least through pay-as-you-go old-age pensions, which account for one-fifth to one-half of total social spending in most countries of the OECD. But the elderly in different countries benefit to varying extents not only from cross-national differences in the generosity of pension benefits, but also from differences in other policy areas, such as housing and health care. Similarly, working-age adults and children benefit from a variety of programs financed by the population at large, including education, publicly provided child care, and income supports.[1]

The concept of intergenerational justice has prompted a robust theoretical literature, but little empirical investigation.[2] In particular, we know very little about how social provisions for different age groups vary across welfare state types, across countries, or across time. Because so little is known about the age-distributive properties of social policies, it is dangerous to conclude that "the contemporary welfare state in capitalist democracies is largely a *welfare state for the elderly*" (Myles 1989). Nor can we be sure that, as some have argued, a single "selfish generation" that reached adulthood just after the Second World War has tailored welfare state spending for its own purposes (Thomson 1993). Without reliable measures of the age orientation of social policies across nations and over time, it is impossible to know to what extent contemporary welfare states are biased toward the elderly of particular generations, toward successive cohorts of the elderly, or even *if* they are uniformly biased toward the elderly rather than the young.

[1] This chapter is based substantially on Lynch 2001.
[2] See, e.g., Daniels 1988; Johnson, Conrad, and Thomson 1989; and Laslett and Fishkin 1992.

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 15.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=35

In this chapter we consider a series of indicators of the age orientation of social policies. The resulting rankings group countries quite consistently according to how a variety of social policy instruments – direct expenditures on social insurance programs, labor market policies, education, and health care, as well as indirect tax expenditures and housing policies – allocate resources to different age groups. The most consistently elderly-oriented welfare states in the sample of OECD countries considered here are Japan, Italy, Greece, the United States, Spain, and Austria. The most youth-oriented are the Scandinavian countries, the Netherlands, and the English-speaking countries other than the United States. A group of Continental European countries – Germany, France, Belgium, Luxembourg, and Portugal – occupies the middle ground. Because these groupings of countries are so consistent across policy areas, it is possible to develop a simple measure of the age orientation of social policy regimes that uses just a few pieces of readily available aggregate social spending data.

But given that families often share resources across generations, or purchase private insurance that acts as a form of resource transfer across the life course, is the age orientation of *state* policies really the form of intergenerational transfer with which we should be most concerned? And are aggregate spending measures really the best way to capture the variation in state policies?

Determining the age orientation of individual social policies can be difficult since policies often have effects, and reflect priorities, other than those most obviously indicated in statutes. Early retirement provisions in Italy that allowed female public-sector workers to retire at full pay after only fifteen years of service are a good example. One could interpret these "retirement" benefits not as a transfer to the elderly, but rather as family policy camouflaged for a context in which direct subsidies to working mothers were unacceptable to politically powerful religious forces (Saraceno 1994, 70). Because policies may reflect hidden priorities of policy makers and may benefit more than one specified target group, it is risky to draw conclusions about who social programs are really intended to help based solely on spending data, without going deeper into the political struggles behind the policies' implementation. This chapter works with aggregate spending data to sketch a preliminary portrait of policy priorities; case studies in chapters 4 through 6 flesh out this sketch.

Welfare transfers taking place within the state sphere are likely to be closely intertwined with intergenerational transfers that take place within families and in the context of private markets. Still, state policies toward

Lynch, Julia; Lange, Peter (Contributor); Bates, Robert H. (Contributor). Age in the Welfare State : The Origins of Social Spending on Pensioner's Workers and Children.
West Nyack, NY, USA: Cambridge University Press, 2002. p 16.
http://site.ebrary.com/lib/ulincoln/Doc?id=10130409&ppg=36

different age groups are important even if they do not reflect the total output of the state-market-family nexus for particular age groups. The distributional consequences of effecting intergenerational transfers via families, markets, or the state are not neutral. Welfare states take on distinctly different purposes when redistribution is limited to transfers within families, rather than between families; and power structures within families are also likely to reflect resource flows directed by the state.

It is tempting to allow the family to continue to serve as a black box obscuring the importance of state-sponsored redistribution to different age groups. Intergenerational ties and resource sharing within families are supposed to be the glue that prevents an explosion of tensions between age groups similar to the global upheavals of 1968. But the structure of pay-as-you-go social insurance programs may provide a simpler explanation for the current quiescence of younger cohorts in the face of elderly-oriented welfare state spending. When populations and real wages are both growing, transfers from the young to the old appear to be nothing more than transfers across the life course – younger people pay for benefits that they themselves will receive as they age. Under these circumstances, politicization of differences in welfare spending on different age groups is unlikely. As demographic and economic growth both slow, however, there is pressure to balance social insurance budgets by increasing contributions now and cutting benefits in the future. The potential for politicization of conflicts between age groups over the apportionment of state resources becomes important under these circumstances, though interpersonal ties between generations may mitigate the effects somewhat. Again, it is worth investigating the age priorities of state spending because these priorities have a political impact, even when buffered by the resources of families.

The State of the Art: Work on the Generational Effects of Welfare Policy to Date

Two main strategies for measuring the generational effects of welfare policies are in evidence in the existing literature: "generational accounting," which emerged in the 1990s as the major form of economic research on aging and social policy at the macro level, and an older body of sociological work that sought to evaluate the effects of social policies on the life chances of different age groups.

Generational accounting models (see, e.g., Kotlikoff and Liebfritz 1998) evaluate current tax structures and benefit patterns to calculate the lifetime tax-benefit position of specific age cohorts in a given country. Applying a standard discount rate, these models sum the total remaining lifetime taxes versus total remaining lifetime benefits in order to arrive at a figure known as a generational account for a person of a given age. For a person around retirement age, the generational account will generally be low or negative, since recent retirees have paid most of the taxes they will pay in their lifetime and are about to receive a large infusion of benefits in the form of a pension. Following the same logic, a person at age thirty will tend to have a much higher generational account: a lifetime of income taxes lies ahead, while the education benefit has already passed and the pension benefit is far in the future. Calculating the generational account for a person born today will indicate the overall lifetime tax-benefit position of a newborn, assuming no change in tax or benefit structures.

Generational accounting provides a useful comparative baseline for assessing the impact of present tax and transfer programs on different cohorts, but the highly aggregate nature of the accounts makes interpretation difficult. The combination in one measure of all tax and benefit programs, not just those relevant to social protection, makes it hard to individuate the effects of welfare policy per se. Furthermore, the use of discount rates means that accounts for any given age group are highly sensitive to the value of the most proximate tax or benefit program. A third limitation of the generational accounting technique is that accounts for all age groups assume constant tax and transfer policies. This means that for the generational accounts to reflect real aggregate gains (or losses) for a given age group compared with any other, policies would have to remain unchanged from the date of birth of the oldest cohort until the date of death of the youngest. While generational accounts are useful for comparing the lifetime tax-benefit position of newborns across countries *were policies to remain unchanged*, they are of little utility (as Kotlikoff and Liebfritz are careful to point out) in comparing the lifetime accounts of generations that have actually lived through, or expect to live through, a great deal of policy change.

The generational accounting framework is concerned with the question of generations, strictly speaking, not age groups. These concepts are related but distinct. Public policies may be neutral with respect to generations – that is, they do not effect significant transfers between groups of citizens born at different points in time – but at the same time are biased toward a particular age group. A purely contributory pension system, into which people make payments when they are young and out of which they draw benefits when they are old, would fall into this category. Conversely, one could imagine an age-neutral policy that effects large intergenerational transfers – for example, deficit spending resulting from a tax cut that is carefully designed to affect levies on wage income and pension income in equal measure.

In policy-making circles, generational accounting techniques and claims about intergenerational justice have come to dominate on those occasions when the age orientation of social policy regimes is under discussion. But social policies are not static, and the distribution of resources among different age groups, not among different generations, is often at the heart of political conflict over the welfare state. Hence analysis of the age orientation of welfare states should ideally clarify the distribution of resources across age groups, as well as across generations.

Some important work in this area has been undertaken. O'Higgins (1988) offered a comparison of the treatment of elders and children in ten OECD countries, with direct expenditure and some tax data for the period 1960 to 1985. But while this contribution was an important first step toward the goal of measuring the age orientation of social policy, a restricted sample size and highly aggregate spending data limited the analysis. Meyer and Moon (1988) and Jencks and Torrey (1988) expanded the categories of analysis beyond the confines of social insurance spending but, as did O'Higgins (1988) and Pampel (1994), compared the situations of only the elderly and children, leaving out the middle ground of adulthood, where contemporary welfare states have had such widely varying success in adjusting to changes in employment and family patterns. More recently, Castles and Ferrera (1996) usefully consider the age-distributive effects of the housing/pension policy complex, but are hampered in the conclusions they can draw by the small number of cases and the limited set of policies that they discuss. Despite a growing interest in the relationship between demographic change and social welfare systems, major lacunae remain in our understanding of how social policies work to transfer resources across age groups and generations.

Measuring the Age Orientation of Social Policy

The remainder of this chapter is dedicated to evaluating in as much depth and breadth as possible the distribution of public social policy resources to different age groups in twenty highly industrialized democracies. Many different kinds of public policies affect the distribution of public resources to different age groups. Zoning regulations specifying minimum housing lot sizes, state subsidies of credit markets, and policies designed to stimulate the employment of youth or older job candidates are just a few examples. So a truly comprehensive measure of how states distribute resources across age groups would need to consider the totality of policy arenas and instruments through which states might act to channel resources to different age groups.

This chapter focuses, more modestly, on the distribution of benefits to different age groups carried out through three key areas of public policy: direct social expenditures on social insurance benefits, education, and health care; tax expenditures on welfare-substituting goods; and housing policies. Only public spending and private spending that is mandated by law (e.g., occupational pension schemes in France) are included.

The age categories employed throughout this analysis are *elderly* and *non-elderly*. These categories are rather ungainly as compared with seniors and children, or labor market participants versus dependents. But they are useful because public debates so often posit a trade-off between continuing to support the elderly at a high level and devoting resources to other kinds of needs in the non-elderly population. The definition of the relevant age groups is compelled as well by the considerable overlap between the well-being of children and non-elderly adults, and the scant similarity between the well-being of seniors and of their children's and grandchildren's age groups. Cross-nationally, poverty rates among seniors, after taking into account both taxes and social benefits, are not highly correlated with the same measure for either children (r = .67) or non-elderly adults (r = .59). However, post-tax, post-transfer poverty rates for children and non-elderly adults are quite highly correlated (r = .89), with the relationship particularly strong where poverty is concentrated among families with large numbers of children.[3] Working-age adults and children experience similar risks of poverty and receive similar degrees of protection from the welfare state, while the elderly are often in a category all their own. Using elderly and non-elderly as our basic age categories also responds to the practical demands of working with social expenditure data. While in most countries social benefits are paid directly to elderly persons and not to their adult children, transfers intended for children (e.g., child allowances, day care subsidies, funds for school fees or books) are always given to the parents and are considered part of the parent's income, not the child's.

[3] Poverty rates are the percentage of individuals in each age group living in households with size-adjusted disposable income (after taxes and transfers) below 50 percent of the country median. Author's calculations from Luxembourg Income Study data.