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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,

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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

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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.

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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).

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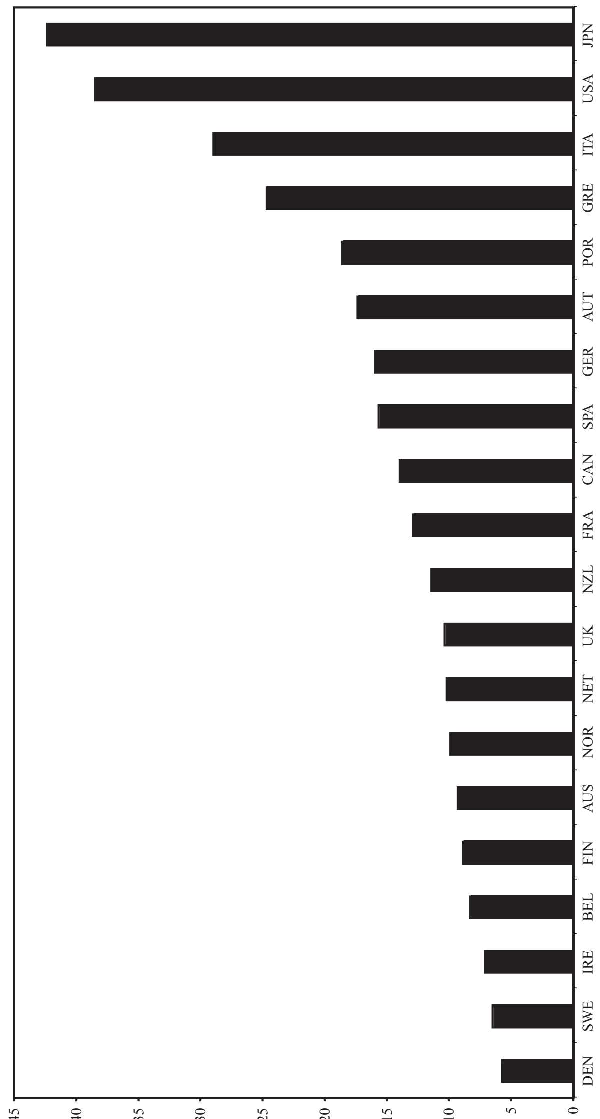

Figure 1.1 Elderly/non-elderly spending ratio (ENSR), average 1985–2000. *Sources:* Spending data from OECD 2004; demographic data from OECD 2003b.

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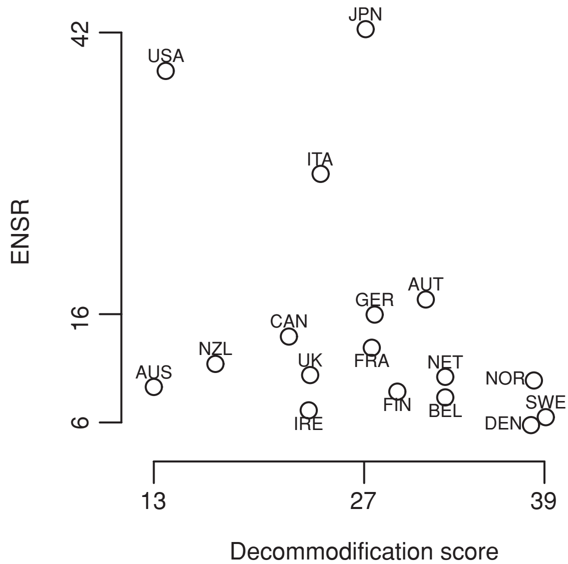

Figure 1.2 Age orientation and decommodification. *Sources:* Spending data from OECD 2004; demographic data from OECD 2003b; decommodification scores from Esping-Anderson 1990.

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

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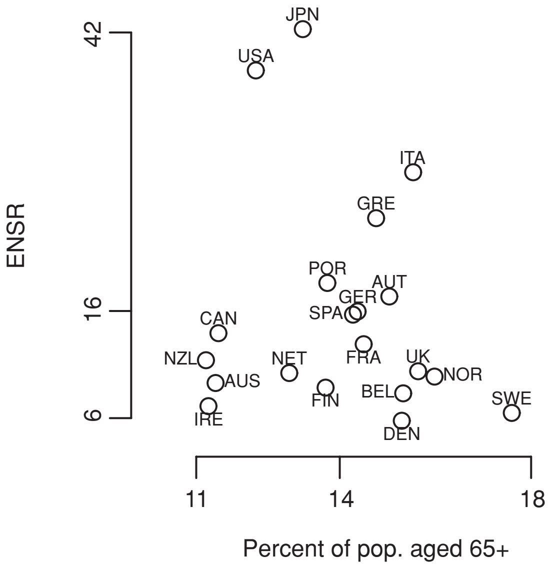

Figure 1.3 Age orientation and demographic structure. *Source:* See Fig. 1.1.

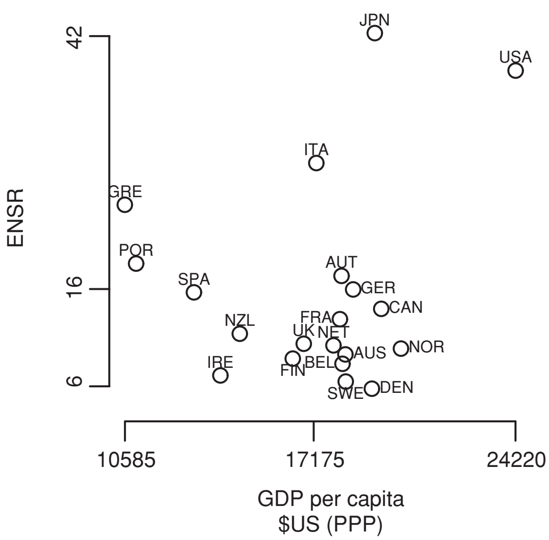

Figure 1.4 Age orientation and "level of development." *Sources:* Spending data from OECD 2004; demographic and GDP per capita data from OECD 2003b.

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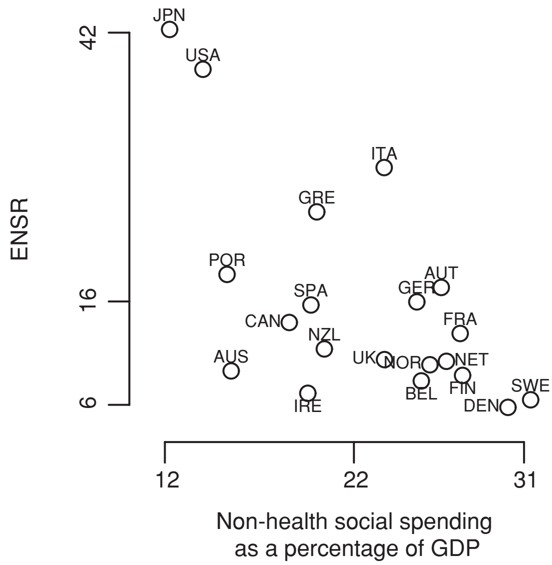

Figure 1.5 Age orientation and total welfare state "effort." *Sources:* Total non-health social expenditure data from OECD 2004; demographic data from OECD 2003b.

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

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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

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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.

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