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978-1-107-06293-1 - Skills and Inequality: Partisan Politics and the Political Economy of Education Reforms in Western Welfare States

Marius R. Busemeyer

Excerpt

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## Introduction

In a seminal contribution to the fledgling comparative literature on welfare state policies, Harold Wilensky once made the fateful claim that “education is special” (Wilensky 1975: 3). More specifically, he argued that:

A nation’s health and welfare effort is clearly and directly a contribution to absolute equality, the reduction of differences between rich and poor, young and old, minority groups and majorities; it is only a secondary contribution to equality of opportunity. In contrast, a nation’s educational effort, especially at the higher levels, is chiefly a contribution to equality of opportunity – enhanced mobility for those judged to be potentially able or skilled; it is only a peripheral contribution to absolute equality. (Wilensky 1975: 6)

In other words, Wilensky posited that education needs to be assessed and analyzed separately from other kinds of social policies, because its primary purpose is not necessarily to mitigate socioeconomic inequalities in terms of outcomes. Wilensky’s claim is not entirely unjustified: the promotion of educational opportunities, being a meritocratic good, entails both private benefits, in the form of wage increases for the better-educated, and public benefits. Nevertheless, his position has contributed to (or at least symbolizes) the neglect of the study of education in comparative welfare state research and in comparative political science in general (Busemeyer & Nikolai 2010; Busemeyer & Trampusch 2011; Iversen & Stephens 2008; Jakobi *et al.* 2010).

This book seeks to help reintegrate the analysis of education and training systems into comparative welfare state research (see Iversen & Stephens 2008: 602 for a similar argument). It does this not by comparing policy developments in education with other social policies, but primarily by identifying multiple linkages and connections between education and other parts of the welfare state. In brief, the

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book traces the political and institutional connections between education and the welfare state at large in three domains. The first is *politics*: I argue and show that the politico-economic coalitions that supported the expansion of the welfare state in the postwar decades have also been influential in shaping the institutional design of education and training systems. The second is *outcomes*: the distribution of income and wealth in the political economy is affected by variations in the institutional setup of the education and training system, in particular the importance of vocational education and training (VET) relative to academic education, as well as the division of labor between public and private sources of financing. The third is *citizens' attitudes and preferences vis-à-vis the welfare state*: I document the effects of educational institutions on such attitudes and preferences, which provides the essential micro-foundation upon which to explain the durability and sustainability of welfare state arrangements.

As for Wilensky's claim, I find that although education may be different from other social policies in certain aspects, it is deeply interconnected to other parts of the welfare state via politics, outcomes, and popular attitudes. Neglecting these connections has prevented us from developing a deeper understanding of the driving forces of welfare state and education reforms, socioeconomic inequality, and citizens' attitudes towards the welfare state. The three domains of politics and policy output, socioeconomic outcomes, and public attitudes should be analyzed jointly, because they represent different stages of the policy-making cycle as it unfolds over time: political struggles and decisions during the critical decades of the postwar period shaped the policy-development paths of education regimes while access to higher levels of education was being expanded, and the educational institutions established during that time are now influencing contemporary patterns of socioeconomic inequality. These institutions have also shaped popular expectations of government's role in the provision of social services such as education, contributing to the stabilization of these development paths in the latter twentieth and early twenty-first centuries. To paraphrase Wilensky, education may be different from other kinds of social policies, but variations in the institutional setup of the education and training systems *do* have enormous consequences for the distribution of skills, income, and wealth in the political economy at large.

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**Common origins, different development paths: the variety of education and training systems in advanced industrial democracies**

The starting point and motivation for this book is the observation that in the immediate postwar period, advanced industrial democracies and particularly Western European countries shared a similar institutional setup of education and training systems, but that they started to develop along very different paths quite soon thereafter (Ansell 2010: 164). Because the analytical perspective of this book is rooted in comparative political economy, the focus is on those types of education that are most relevant for labor-market actors (upper-secondary education, VET, and higher education), although I fully recognize that other educational sectors such as early childhood education are also important with regard to welfare state policies (Esping-Andersen 2002), and increasingly so.

Leaving aside the case of the United States for now (which was ahead of European countries in expanding higher education), we can see large historical similarities between the Swedish, German, and British education systems (Heidenheimer 1981: 296, 298): all had an elitist higher education sector and a segregated secondary school system, enforcing a strict distinction and hierarchy between academic and nonacademic types of secondary schooling. With regard to VET, the institutional legacy of firm-based, mostly voluntarist or self-governed apprenticeship training was strong in Germany and the United Kingdom, but less so in Sweden, although even there, firm-based apprenticeships remained rather popular in the 1950s and 1960s (Lundahl 1997: 93; Nilsson 2011: 27).

Today, however, the education systems of the three countries look very different. The British education system is characterized by a bias in favor of academic higher education, much like the US system with its focus on college education. VET is considered to be more important in Britain than it is in the United States, but the UK system is largely voluntarist and employer-dominated in character, which contributes to its perception as an unpopular choice for low-skilled youths who did not make it into higher education (Ryan & Unwin 2001). In Germany, by contrast, VET remains a popular alternative to universities. There is a well-developed dual-apprenticeship system that combines practical

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education on the job with theoretical learning in vocational schools, whereas academic higher education remains underdeveloped in terms of levels of enrollment, and spending in this area is below the Organisation for Economic Co-operation and Development (OECD) average (Powell & Solga 2011; Schmidt 2007). Higher education in Sweden has expanded rapidly in recent decades and is open to a large share of the younger population. Vocational education remains important, but attempts to expand the involvement of employers in training have mostly failed, so VET is usually provided only in secondary schools. Thus, despite the fact that all three countries started from a very similar position in the immediate postwar period, they have developed in very different directions.

There are also obvious similarities between education systems and other welfare state institutions (Hega & Hokenmaier 2002). The Swedish education system, for example, epitomizes the notion of education as a social citizenship right (Marshall 1964), promoting educational mobility from vocational to academic education by integrating VET into the general secondary school system and offering generous educational subsidies to students. This is strongly reminiscent of the universal or social democratic model of welfare capitalism (Esping-Andersen 1990) and its intent to eliminate market-generated inequalities through the generous provision of welfare state benefits and services, including education. The German education system has characteristics similar to the conservative welfare state model. For one, it is far more tolerant of educational inequalities, as it is one of the very few countries to maintain a segregated secondary school system with early tracking of pupils onto academic and vocational tracks. The distinction between different kinds of education is clearly related to the stratification of welfare state institutions into different types of social insurance based on occupational status (Esping-Andersen 1990: 27). Finally, the liberal character of the British welfare state is mirrored in its voluntarist training regime (King 1997) and its competitive and market-based higher education system, in which the role of the state is increasingly reduced.

In addition to institutional similarities, one can identify regime-specific characterizations of the relationship between education and the welfare state. A pioneer in this respect, Heidenheimer (1973, 1981), pointed to the difference between European welfare states and the United States in their promotion of education as a functional equivalent

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to social insurance (Heidenheimer 1981: 269). More generally, the relationship between education and the welfare state in different regimes has been characterized as follows (cf. Allmendinger & Leibfried 2003; Allmendinger & Nikolai 2010). In liberal welfare state regimes, the promotion of educational opportunities serves as a functional equivalent to more redistributive social insurance policies. For example, governments in the United Kingdom deliberately supported the promotion of VET as a social policy: a means to fight youth unemployment. In the social democratic or universal welfare state model, education is regarded as an integral part of the welfare state. This is widely acknowledged in Sweden, where the “Nordic model of education” is very much an integral part of the “Nordic model of the welfare state” (Arnesen & Lundahl 2006), both in terms of public perceptions and institutionally (e.g., via active labor-market policies). In the continental welfare states, the occupational stratification evident in the social insurance system is mirrored in a strict separation between education and other social policies in terms of both politics and institutions. The lack of coordination between different kinds of social policy may be a general weakness of the conservative welfare state model, but it is particularly pronounced with regard to education, because of the missing link between the social insurances at the core of the welfare state and education as a distinct policy field. Interestingly, however, when a training system has been used less for specific social policy purposes, as in Britain, a high level of employer commitment to the training of young people has been maintained, which in the end might actually have contributed to low levels of youth unemployment and moderate levels of social inequality.

**The core argument**

The book has two main goals: first, I want to understand how countries have ended up with different education and training regimes; and second, I want to study the contemporary effects of these educational institutions, which are the reflections of policy choices of the past.

Despite the complexity of the topic, the book’s core argument can be summarized in a straightforward way: existing scholarship in comparative welfare state research has underestimated the importance of education as an integral part of welfare state regimes. Furthermore, despite relatively similar starting points in the postwar decades,

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education systems in Western welfare states developed along distinct historical pathways, displaying obvious institutional similarities to well-known worlds of welfare capitalism (Esping-Andersen 1990). Crucial dimensions of variation are the role of VET relative to higher education and the division of labor between public and private sources in education funding. Partisan politics help explain the political dynamics of education reforms that put countries on different development paths. Institutional choices of the past, in turn, shape contemporary patterns of social inequality and popular attitudes towards education policy and the welfare state.

To elaborate further, the cross-country differences in the balance of power between social democrats, Christian democrats, and conservatives help to explain the different choices in the institutional design of education and training systems in the postwar period. In Western Europe, this period was marked by the strong expansion of educational opportunities at the post-secondary level; that is, after the completion of compulsory schooling. Because this sector of education systems was institutionally underdeveloped, there was a lot of room for different paths of development. The main feasible policy options were to expand either academic higher education or nontertiary post-secondary education (VET). Partisan politics influenced both the speed and the intensity of educational expansion, as well as its direction. In contrast to traditional partisan theory, however, I emphasize in this book that the partisan struggle over policy choices needs to be put in context, in particular by taking into account the importance of socioeconomic institutions and organized labor-market interests. In coordinated market economies (CMEs) (Hall & Soskice 2001), nonmarket forms of coordination among economic actors via strong associations and corporatist institutions facilitate the formation of cross-class coalitions that support the maintenance of VET. Departing from the traditional varieties-of-capitalism (VoC) perspective (Hall & Soskice 2001), I argue that these cross-class coalitions still have a partisan nature, depending on which partisan force dominates the political arena. This is why leftist coalitions of social democrats and unions in Scandinavian countries have pushed for VET to be integrated into the general secondary school system, marginalizing the role of employers in the provision of vocational education. By contrast, the dominance of Christian democratic parties in some continental European CMEs, such as Germany, has contributed to keeping employers in the system by establishing a

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corporatist framework built around apprenticeship training. In liberal market economies (LMEs) such as the United Kingdom, cross-class compromise between unions and employers, as well as between different parties in the electoral arena, has remained elusive. The absence of cross-class cooperation has led to the eventual decline of VET as a viable educational pathway, channeling the forces of educational expansion into academic higher education. This rapid expansion of higher education cannot be financed by public investment alone, so the private share of education financing has increased over time.

Whether and in what form VET has survived as a viable alternative to academic education and the ensuing division of labor between public and private sources of education funding has strong implications for patterns of socioeconomic inequality. The reason VET is so important with regard to inequality is that it opens up access routes to high-quality training and well-paid employment for individuals in the lower half of the academic skills distribution, who have little chance of being admitted to tertiary academic education. The decline of VET in liberal skill regimes, often accompanied by an increase in private education spending, has contributed to a polarization of skills and income on the labor market in the contemporary period. In contrast, countries with well-established VET systems and a predominance of public financing have significantly lower levels of socioeconomic inequality.

The survival of VET has not only shaped redistributive outcomes but has also influenced popular perceptions of educational alternatives, as well as attitudes towards the welfare state. Understanding these policy feedback effects reveals yet another linkage between education and the welfare state, as well as the causal mechanisms behind how past choices contribute to the consolidation of development paths. For example, in countries where VET has survived, popular support for maintaining and supporting this educational alternative is much higher, which explains why the expansion of academic higher education proceeded much more slowly in countries with well-developed apprenticeship systems. Furthermore, cross-national differences in the division of labor between public and private sources in education financing and institutional stratification shape patterns of public support for education spending and redistribution more generally.

The next section provides a more detailed summary and preview of the individual chapters. The book is divided into two parts. The first (Chapters 1, 2, and 3) approaches the subject from the classical

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perspective of comparative public policy and welfare state research. Education policy is the dependent variable, and I explain how and why partisan politics and institutions are related to different choices in the institutional design of education and training systems. Chapter 1 develops the theoretical framework for this part, while Chapter 2 applies it to three case studies of historical development paths in Sweden, the United Kingdom (England), and Germany, and Chapter 3 extends it to a larger sample of OECD countries in a quantitative analysis of aggregate data. The second part of the book (Chapters 4, 5, and 6) aims to expand the analytical perspective of comparative public policy. As I argue in more detail below, in order to fully understand the complex dynamic of policy and institutional change, it is not enough to study the determinants of policy output alone; it is also crucial to understand how policies affect socioeconomic outcomes and patterns of popular support, because these feedback effects – between the level of policy-making on the one hand and the level of individuals on the other – are important driving forces of policy and institutional change. This is why in Chapter 4 I study the association between educational institutions and socioeconomic inequality (primarily wage and income inequality, but also youth unemployment), and in Chapter 5 I look at the impact of educational institutions on individual preferences and attitudes. In Chapter 6, I highlight the contribution of the book to current debates about skill-biased technological change and the social investment state.

### **Explaining variation: partisan politics in context**

As stated above, the first part of the book (Chapters 1, 2, and 3) is devoted to explaining the observed variety of education and training institutions. There are two large strands in the literature that are commonly used to explain the differences in skill-formation (education and training) regimes. The first is the VoC school of thought (among many others, see: Hall & Soskice 2001; Hancké 2009; Iversen 2005), which draws a broad distinction between general skills systems, focusing on academic higher education on the one hand and specific skills systems, in which the provision of vocational skills is more important, on the other. The VoC paradigm also emphasizes institutional complementarities between the institutions of the skill-formation regime and the adjacent spheres of the political economy, such as industrial relations



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between employers and unions, corporate governance, and labor-market policies (Estévez-Abe *et al.* 2001). While the VoC approach may be useful in highlighting broad differences between Anglo-Saxon and European countries, it is less able to account for variation within the group of CMEs (Busemeyer 2009a).

It is therefore necessary to bring in a second stream of literature, namely partisan theory. The standard model of partisan theory distinguishes between the partisan representatives of the upper and lower income classes (right-wing and left-wing parties, respectively) and explains differences in policy output related to the partisan composition of governments by referring to economic interests of the core electoral constituencies of political parties (Hibbs 1977; Schmidt 1982). The role of partisan politics as an explanatory factor for differences in education policy output is by now well recognized in the pertinent literature (Ansell 2008, 2010; Busemeyer 2007, 2009b; Castles 1989, 1998; Rauh *et al.* 2011; Schmidt 2007; Wolf 2009; Wolf & Zohlnhöfer 2009). Compared to other fields of social policy, the link between partisan politics and policy output is more complex and less straightforward, because the redistributive implications of educational investments are not as clear-cut as in the case of social transfers (Ansell 2010; Jensen 2011). Hence, the historical and institutional context matters enormously, as will be argued in greater detail below, when I assess the impact of partisan politics on policy change.

Both theories have certain weaknesses and blind spots that I address by developing a more comprehensive theoretical framework. The VoC paradigm has often been criticized for underestimating the role of politics in general (Streeck 2010), and partisan politics in particular. The VoC framework is helpful in highlighting the crucial role of cross-class coalitions in supporting VET. These broad coalitions are still partisan coalitions, however, and depend on which partisan actor is in charge of their formation. As a consequence, the policy choices made by such coalitions reflect the interests of unions and employers to differing degrees. One typical blind spot of classical partisan theory is in neglecting the institutional and political context in which the struggle between partisan forces plays out (see Häusermann *et al.* 2013 for a similar argument). Some variants of partisan theory (Hibbs 1977; Schmidt 1982) do not take sufficient account of the role of organized interests and economic institutions. The power resources variant (Stephens 1979; Korpi 1983) is very conscious of the

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formation of coalitions between organized labor-market interests and political parties, but it also assumes a pervasive class struggle between business and labor, negating the possibility of sustainable cross-class coalitions despite their having become an empirical reality in many CMEs.

Compensating for the various blind spots of existing theories, the theoretical framework developed in Chapter 1 begins with the basic assertion that political parties have different policy priorities and that cross-national differences in the balance of power between partisan families explain variations in policy output and institutional choices. The chapter then proposes several extensions to this standard model of partisan theory. The first is that it is necessary to move beyond the dichotomy between left- and right-wing political parties and to recognize the fact that Christian democratic parties pursue a particular ideology that is different from that of secular conservatives in other countries, both in social policy generally (Van Kersbergen 1995; Wilensky 1981) and in education policy in particular. An important reason behind why these differences emerge is that political parties form preferences with regard not only to policy substance (as implied by the standard partisan model), but also to the political process. Christian democratic parties are different from secular conservatives in that they pursue a “politics of mediation” (Van Kersbergen 1999: 356), meaning that they promote cross-class compromise between unions and employers and delegate public responsibilities to corporatist bodies. Christian democrats are therefore much more supportive of collective forms of VET in education policy, even though these may impose short-term costs on employers. Conservatives, by contrast, are more in favor of promoting academic and elite higher and upper-secondary education.

The second extension is to take into account the socioeconomic institutional context in which partisan politics plays out, taking on board crucial insights from the VoC debate. There is value in the distinction between LMEs and CMEs found in the VoC literature, in the sense that the existing institutional structure of the economy shapes the menu of feasible policy options: less so in the initial stages of path formation, and increasingly more so over time. Repeated attempts by various British governments to introduce and resuscitate apprenticeship training have generally failed, for example, because employers could not be convinced to participate in these collective schemes. Instead of falling into the trap of economic functionalism, however, I emphasize that