



European Welfare States after the Crisis

Changing public attitudes

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policy network paper



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Abstract

The ‘conservative bias’ in social attitudes to welfare – entrenched support for the ‘traditional’ welfare state, promising higher pension payments and public expenditure on health – has been reinforced by the financial crisis, while public support for welfare state policies geared towards tackling ‘new’ social risks – related to structural changes in labour markets, demography, gender equality and families that traditional social protection systems are poorly equipped to negotiate – is relatively weak. This hardening of social attitudes towards growth-orientated, social investment policies in education, active labour markets, and family assistance occurs at a time when slower growth and productivity are accelerating the process of de-industrialisation in favour of the emerging powers. This paper draws lessons from quantitative public opinion surveys in three key EU member-states (France, Denmark and Britain) to inform debate on the future shape of welfare states after the financial crisis. It concludes that the biggest threat to social justice in Europe is not radical institutional change, but the ‘frozen’ welfare state landscapes where resistance to change is institutionalised, and major interest groups are able to define how welfare systems operate. There is a significant danger that growing inequalities in electoral participation might further entrench the welfare status quo and heighten the onset of intergenerational and distributional conflict.

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Introduction

This paper presents a comparative analysis of contemporary and future changes in welfare states, and examines divergent trajectories of social development across Europe in the wake of the global financial crisis.¹ It does so principally by examining underlying public attitudes to the role of the state, and how different social protection regimes will evolve in the light of fiscal austerity and long-term structural challenges which the crisis has accentuated. It is well known that different welfare states manifest different forms of ‘crisis’, that welfare states are characterised by a high degree of institutional diversity, and there is no single, dominant model of welfare capitalism in Europe. Nonetheless, it is helpful to trace common underlying patterns and trajectories by observing changing public attitudes to the role of the state.

This paper reports the findings of a comparative survey on public attitudes towards the welfare state, and the scope for further modernisation and reform. The implication of the survey is not that political parties should merely follow what opinion polls tell them to do. The role of the state ought to be defined on the basis of coherent philosophical and ideological principles. However, the challenges facing the welfare state continue to adapt and evolve, while welfare systems are inherently political constructions. Attitudinal surveys assist political actors in determining how much room for manoeuvre is available, which reforms are likely to be approved by the electorate, what coalitions of support exist for controversial changes, and which reforms may prove politically untenable.

The paper proceeds in the following sequence. There is, first, a brief discussion of how we might think about the role of the state and social welfare on the basis of first principles in the light of the different ‘worlds’ of welfare capitalism that exist across the European Union (EU). Second, the paper considers the politics of contemporary welfare states in the aftermath of the financial crisis, and how different alignments of political support offer protection to key welfare principles and institutional arrangements. This is followed by an analysis of survey data commissioned for the study; initial conclusions are then drawn pointing towards the emergence of a ‘trilemma’ in European welfare capitalism.

Since the late 1990s, there has been an emerging consensus within European social democracy about the case for a ‘Nordic-style’ social investment state creating a virtuous ‘equilibrium’ between markets and social justice through ‘service-intensive’ welfare systems. According to this view, European welfare states should focus less on ‘old’ social risks such as unemployment and old age, and much more on ‘new’ social risks such as family poverty and relationship breakdown. This has stimulated a degree of policy change within member-states: for example, the UK has moved further in the direction of providing universal childcare with a core entitlement of 15 hours per week for all three and four year olds; in Germany, there has been increased investment in early childhood education enabling parents to better combine paid work and family life: by 2013, all parents will have the legal right to a day care place after the child’s first birthday;² moreover, Spain is extending maternity and paternity leave for working parents. This indicates that the EU’s pre-crisis social agenda helped to stimulate a ‘turn’ towards the Nordic model.

However, the core argument of this paper is that public support for tackling ‘new’ social risks is fragile at present, and that the global financial crisis appears to have reinforced the ‘traditional’ welfare state consensus based on higher pension payments, and prioritising public expenditure on health.

The crisis may be shoring up the ‘old’ welfare edifice at exactly the moment when Europe’s welfare states ought to be adapting

1. Comparative data is utilised based on opinion surveys in the UK, France and Denmark. All figures, unless otherwise stated, are from YouGov Plc. See footnote 16

2. This is somewhat contradicted by the Merkel administration’s policy of *Betreuungsgeld* where parents receive a payment to keep their children out of daycare in order to encourage ‘freedom of choice’ for families.

In fact, the crisis may be shoring up the 'old' welfare edifice at exactly the moment when Europe's welfare states ought to be adapting in the light of major structural challenges, posing a threat to future equity, growth and social sustainability. The implication of this analysis is that politicians will need to demonstrate leadership if they're to mobilise sufficient public support behind the transition to a different model of welfare capitalism.

The role of the state and welfare capitalism

The sociologist T.H. Marshall famously conceived social citizenship as the culmination of a process of democratisation spanning three centuries.³ The 18th century laid the foundations of legal and civil rights. Political rights then emerged in the 19th century, followed by the evolution of social citizenship in the 20th century. While legal and political rights are considered to be largely secure in the advanced industrialised countries, social rights appeared increasingly vulnerable from the late 1970s. For the last thirty years, there have been increasing doubts about whether welfare states are compatible with modern, globalised post-industrial capitalism. First, there is a view that welfare states distort the market by destroying incentives to work, save and invest while fuelling high dependency ratios. Then, it is argued that demographic and social changes, in particular the ageing society, will make welfare states fiscally unsustainable. Finally, it is claimed that the world economy imposes new disciplines on governments, forcing them to restrain spending and curtail social protection in order to remain globally competitive. There is an extensive literature on the causes of welfare state retrenchment and advance in western industrialised societies, although it is largely beyond the remit of this paper.⁴

The financial crisis appeared to give legitimacy to all of these arguments because of the crisis in the public finances; it is now the role and function of the state which is at the centre of political discourse. While there has been much debate about the trade-off between equity and efficiency in contemporary capitalism, and while globalisation has apparently narrowed the scope of domestic political choices, such arguments fail to distinguish clearly between the impact of 'exogenous' and 'endogenous' variables. National welfare states have responded very differently to the disciplines imposed by global competition in the international economy. There has been too little consideration of how welfare states are being restructured in order to cope with new risks and needs, and how the underlying purpose and role of the modern welfare state is being reappraised.

Of course, it is important to acknowledge that there is no single, dominant model of welfare capitalism in Europe. The argument that welfare state regimes are being restructured by the globalisation of labour, product and capital markets points towards *convergence* of welfare state arrangements, as national governments implement neo-liberal adjustment strategies. However, it is not clear that global forces inexorably reshape national welfare systems, and comparative research demonstrates that different institutional arrangements lead to very different outcomes within nation-states. The welfare state sociologist Gosta Esping-Andersen spoke of 'three worlds' of welfare capitalism in Europe: such patterns seemingly persist today.⁵

- **Nordic** (social democratic) welfare states are predicated on social investment strategies that promote higher employment and growth, ensuring 'cradle to grave' provision in child care and social care for the elderly.
- **Continental** (conservative) welfare states maintain contributory social insurance systems that offer high levels of protection to 'insiders', while continuing to regulate employment and the labour market.
- **Anglo-Saxon** (liberal) welfare states have undergone something of a transition, adopting

3. Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*. Oxford: Polity Press.

4. For example, Steinmo, S., Thelen, K. and Longstreth, F. (eds.) (1990) *Structuring Politics: Historical Institutionalism in Comparative Analysis* Cambridge: Cambridge University Press; Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism* Princeton: Princeton University Press; Huber, E., Ragin, C. and Stephens, J.D. (1993) 'Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State', *American Journal of Sociology*, Volume 99.

5. Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*. Oxford: Polity Press. Esping-Andersen, G. (1993) 'The Comparative Macro-sociology of Welfare States', in L. Moreno (ed.) *Social Exchange and Welfare Development*, pp. 123–36. Madrid: Consejo Superior de Investigaciones Científicas. Esping-Andersen, G. (1994) 'Welfare States and the Economy', in N. J. Smelser and R. Swedberg (eds.) *The Handbook of Economic Sociology*, pp. 711–32. Princeton/New York: Princeton University Press/Russell Sage Foundation.

elements of the social investment approach. Nonetheless, welfare benefit levels remain relatively low, there is significant reliance on targeting and means-testing, and a considerable proportion of state services have been privatised.

Esping-Andersen’s categories draw on Weber’s methodological approach in constructing holistic ‘ideal-types’. These are reflected in the profile of public expenditure and welfare outcomes across social protection regimes prior to the crisis:

Table 1: Expenditure profiles in three welfare regimes⁶

	Public social spending (%GDP)	Private as % total social spending	Family services as % of total public spending	Targeting: % of transfers to bottom (quintile 2)
Nordic	25	5	18	34
Continental Europe	26	8	5	30
Anglo-Saxon	19	19	4	43

Each welfare state ‘type’ is a reflection of a particular set of political forces and coalitions, as well as distinctive political philosophies, which is reflected in contemporary social policy and institutional regimes. The Nordic and Continental European models essentially converge in terms of expenditure, but ‘social democratic’ regimes are ‘service-intensive’, while private welfare provision is low. There is a strong emphasis on ‘path dependency’ in Esping-Andersen’s typology focused on the ‘power-resources mobilisation paradigm’.⁷ According to this analysis, particular policy pathways are ‘locked in’ as various groups and interest coalitions mobilise to protect the status quo, pressurising politicians to maintain an existing regime of benefits and services.⁸ This alludes to the nature of the political process in which interest groups make use of ‘veto points’ in order to safeguard their interests. This reproduces the distinctive ‘worlds’ of welfare capitalism over time.

Indeed, it is worth noting the ‘paradox of redistribution’ across welfare regimes in Europe: social democratic welfare states are more effective at reducing poverty and inequality by making public transfers to all citizens, rather than merely targeting the poorest.⁹ As such, centre-left parties have tended to emphasise the importance of welfare ‘universalism’, a theme returned to later in this paper.

The paper does not seek to test the overall validity of Esping-Andersen’s ‘regime-types’; we readily concede that this typology tends to neglect the structure of welfare states in the Mediterranean countries and Eastern and Central Europe, while too little attention has been paid to how gender inequality is embedded in welfare states and social policy regimes. Nonetheless, the key argument that national institutional traditions, from ‘consensus-building’ corporatism to ‘co-determination’ at firm level, have an enormous impact on the trajectory of welfare regimes in nation-states is of ongoing relevance. First, while European welfare states were conceived as instruments of social integration designed to harmonise the goals of equity and efficiency, how they went about their task varied greatly between countries. Second, welfare states have undertaken the process of adaptation and adjustment in response to structural challenges since the 1960s and 1970s in different ways, depending on institutional legacies, system characteristics, and the capacity for interest group mobilisation.

6. Source: calculations from Adema and Ladaïque (2005: Table 6) and from Forster and d’Ercole (2005): data refer to net social spending and excludes retired households.

7. Korpi, W. (1983) *The Democratic Class Struggle*. London: Routledge & Kegan Paul.

8. Pierson, P. (1993) ‘When Effect becomes Cause: Policy Feedback and Political Change’, *World Politics* 45 (4): 595–628.

9. Korpi, W. and Palme, J. (1998) ‘The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries’, *American Sociological Review* 63 (5): 661–87.

Welfare states after the crash

Welfare states in Europe currently face two broad sets of challenges. The first concerns the financing of welfare capitalism after the financial crisis: slower growth and productivity are accelerating the process of de-industrialisation in favour of the emerging powers. Many EU member-states are confronting a fiscal crisis, as sovereign debt is contaminated by 'toxic' financial sector debt in the context of plummeting tax receipts. Over the next decade, fiscal austerity is increasingly taken for granted by many governments in the west.

The second challenge relates to the disjuncture between existing social protection regimes, and new social risks and needs. Structural changes in labour markets, demography, and families create new pressures and demands that traditional social protection systems are often poorly equipped to negotiate. There are new 'clusters' of long-term social disadvantage and inequality emerging as the global economy attenuates polarisation in labour markets and real wages, which traditional welfare regimes have rarely addressed. Nonetheless, securing political and public agreement for a structural recalibration of the welfare state will hardly be straight forward.

Responding to the crisis: constructing the case for a social investment state

There is a vast literature on the normative and theoretical tenets of the social investment state in Europe highlighted in the previous section of this paper.¹⁰ The social investment model is associated with particular policy approaches such as 'flexicurity' in labour markets and employment 'activation'. However, the social investment 'paradigm' relates to a broader set of policy strategies responding to demographic challenges such as the ageing society, and the shift towards the service-based, knowledge-driven economy. The core elements of such an approach according to Morel, Palier and Palme include publically funded childcare and education programmes; investment in human capital, skills and lifetime learning; tackling unemployment, particularly youth unemployment, through active labour market policies that prevent 'scarring' effects; and creating a 'learning economy and society' enabling workers to constantly update their knowledge and capabilities by giving employees a democratic stake in the organisation of the firm. Our survey is far from comprehensive, but allows us to probe particular aspects of the social investment model.

The social investment paradigm seeks to address the long-standing trade-off between equity and efficiency, developing credible policy approaches while stimulating organisational and institutional innovation in the welfare state and the wider capitalist economy. The financial crisis underlined that the previous era of high growth was not based on long-term improvements in productive capacity, and the growth model itself was highly unbalanced supported by rising public debt.¹¹ In the aftermath of the crisis, Wendy Carlin has highlighted the importance of 'pre-distributive' human capital and asset based interventions associated with the social investment approach: producing more egalitarian outcomes while developing a more balanced and sustainable growth model throughout Europe.

The politics of the welfare state

The political and attitudinal dimensions are rarely considered in academic analysis of the welfare state, but welfare regimes are always political constructions held together by a particular constellation of democratic and electoral forces. Many of the key institutions that supported the creation and expansion of the welfare state appear to have weakened over the last thirty years – not merely the trade unions and the major social democratic parties, but many post-war 'neo-corporatist'

10. For example, Morel, N., Palier, B. & Palme, J. (eds.) (2012) *Towards a Social Investment Welfare State: Ideas, Policies and Challenges*, Bristol: The Policy Press.

11. Carlin, W. (2012) 'A progressive economic strategy: innovation, redistribution and labour-absorbing services', London: Policy Network.

institutions. On the other hand, welfare states have actually been remarkably resilient in the post-war era. For example, the attempt by neo-liberals to shrink the welfare state in the United Kingdom during the Thatcher governments barely succeeded.¹² Dismantling existing social provisions proved almost impossible, and was a recipe for electoral unpopularity. At the same time, few influential and politically powerful coalitions emerged to persuade sectional interest groups and key electoral constituencies that the welfare state ought to be reshaped. This has led to a politics of retrenchment based on cutting and trimming at the edges, rather than determining priorities on the basis of first principles and reshaping the welfare system accordingly. In fact, centre-right governments have often been most wedded to the status quo ante.

The public choice literature on bureaucratic failure insists that welfare states do not change because they are plagued by vested interests, both public sector professionals and client groups. Indeed, there is a vast political science literature that alludes to the power of administrators and bureaucrats, rather than national legislatures.¹³ Another salient fact is that in many countries, it is the middle-class who are the direct beneficiaries of social security entitlements; this makes pensions and welfare payments to

It is the middle-class who are the direct beneficiaries of social security entitlements; this makes pensions and welfare payments to older cohorts practically untouchable

older cohorts practically untouchable. This is a manifestation of 'welfare for the wealthy' in many member-states, constructing new political alignments which make reform of the system extremely challenging. For that reason, many commentators conclude that the politics of the welfare state in advanced industrialised countries is a politics of the status quo. This serves to perpetuate a structure of social protection that was put in place several decades ago, and is likely to be poorly equipped to deal with the challenges and demands of the next decade. Growing inequalities in electoral participation might further entrench the status quo. Across the advanced democracies electoral participation is falling fastest among the young and the least affluent, which gives better off and older voters greater influence in the political process.¹⁴ Spending cuts in the UK, for instance, have disproportionately affected the young and the poor – precisely those groups that vote with least frequency, while universal benefits for the elderly have been protected.¹⁵

The task remains to forge new electoral majorities for a different model of welfare state capitalism in Europe.

Public attitudes: survey data

If the key challenge is to overcome the essentially conservative instincts of the political class and voter interest groups, it is important to examine attitudinal data that considers what potential exists for recasting the welfare state. The quantitative survey informing this paper tracked public opinion in three key EU member-states: France, Denmark and Britain.¹⁶ The countries were selected on the basis of exemplifying Esping-Andersen's 'three worlds' of European welfare capitalism, having distinctive institutional and policy legacies, governing traditions, and reform trajectories. The purpose of the survey was to analyse and assess how far citizens in those countries believed that the welfare state ought to change, and what underlying agreement and 'consensus' existed about the strategic priorities for adjusting social protection regimes. The immediate impact of the financial crisis and fiscal austerity in Europe means that citizens are more aware than ever of the need for prioritisation of resources, cut-backs in services and entitlements, and a potential renegotiation of the welfare contract. Nonetheless, the instincts of voters in most countries remain profoundly 'conservative', while there is some evidence that resistance to change has been institutionalised. The following section of the paper will report the key findings of the survey, followed by an extended analysis of the data.¹⁷

12. Gamble, A. (1994) *The Free Economy and the Strong State*, Basingstoke: Palgrave Macmillan.

13. Niskanen, W. (1994) *Bureaucracy and Public Economics*, Cheltenham: Edward Elgar.

14. At the 2010 British general election 76% of voters from the top social class voted, whereas just 57% of voters in the bottom social class did so (this turnout gap in social-class has tripled since 1992). The age-gap is even more striking: just 44% of 18- to 24-year-olds voted in 2010 compared to 76% of those aged over 65.

15. Birch, S. and Lodge, G. (forthcoming) *Divided Democracy* IPPR. See also Lodge, G. 'How do you get people to vote? Force them when they're young' *The Guardian* May 04 2012 <http://www.guardian.co.uk/commentisfree/2012/may/04/force-young-people-to-vote>

16. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was: GB, 1751 adults; France, 1038 adults; Denmark, 1004 adults. Altogether, fieldwork was undertaken between 8th - 21st August 2012. The survey was carried out online. The figures have been weighted and are representative of all adults (aged 18+).

17. All figures in the survey refer to percentages.

Public attitude survey on welfare states in transition

Question 1: There are three commonly used ways to decide who should be able to access different benefits and services. Which ONE of these do you think is BEST suited to decide who should be able to obtain the following benefits or services (please tick one option per row):

State pension

	Britain	France	Denmark
They should be targeted at those in need regardless of their payment into the system	18	22	34
They should only be available to those who have contributed into the system (e.g. by working or caring for someone) regardless of their need level	48	44	20
They should be provided equally to every citizen affected, regardless of their need or contribution to the system	26	29	40
Don't know	9	6	7

Social housing

	Britain	France	Denmark
They should be targeted at those in need regardless of their payment into the system	31	39	42
They should only be available to those who have contributed into the system (e.g. by working or caring for someone) regardless of their need level	41	31	15
They should be provided equally to every citizen affected, regardless of their need or contribution to the system	16	22	32
Don't know	11	8	11

Unemployment benefits

	Britain	France	Denmark
They should be targeted at those in need regardless of their payment into the system	24	17	29
They should only be available to those who have contributed into the system (e.g. by working or caring for someone) regardless of their need level	49	57	43
They should be provided equally to every citizen affected, regardless of their need or contribution to the system	16	19	21
Don't know	10	7	8

Question 2: Thinking about the country's public finances and the current economic climate, which ONE, if any, of the following do you think should be the MAIN response from the government?

	Britain	France	Denmark
Scale back benefits that currently go to those on higher incomes	29	46	30
Target benefits more towards those with greatest needs	25	16	30
Limit benefits only to those who have contributed into the system	24	17	13
Increase taxes to maintain benefits at their current level	6	4	7
Reduce benefits for everyone	5	5	8
None of the above	4	5	7
Don't know	7	7	5

Question 3: In which, if any, of the following areas would you support a reduction in public spending so that other areas could receive extra funding?

	Britain	France	Denmark
Unemployment benefit	26	15	12
Maternity/paternity leave	26	12	19
Child benefit	23	19	36
Defence	21	36	52
Pre-school childcare	19	8	8
Social housing	18	11	21
Universities/colleges	17	6	7
Sickness/disability benefit	17	12	7
Housing/community services	12	33	21
Public transport	8	9	11
Health service	5	7	4
Policing	4	8	4
State pension	3	5	5
Primary/secondary education	3	5	1
Other	5	5	8
Not applicable – I don't think there should be reductions in public spending in any area	20	12	13
Don't know	7	8	5

Question 4: In which, if any, of the following areas would you support receiving extra funding gained from reductions made elsewhere (please tick all that apply)?

	Britain	France	Denmark
Health service	45	32	33
Primary/secondary education	23	23	30
Policing	29	29	23
State pension	31	33	22
Public transport	17	6	21
Sickness/disability benefit	12	14	15
Universities/colleges	13	11	15
Pre-school childcare	10	16	12
Unemployment benefit	4	10	12
Social housing	12	19	5
Child benefit	6	13	4
Housing/community services	9	6	4
Maternity/paternity leave	5	4	3
Defence	13	7	3
Other	2	2	3
Not applicable – I don't think there should be reductions in public spending in any area	11	10	11
Don't know	10	11	11

Question 5: For which, if any, of the following situations or events do you think the current welfare system does or does not offer people sufficient protection (tick one option per row)?

	Britain	France	Denmark
Becoming Unemployed			
Does offer sufficient protection	49	42	65
Does not offer sufficient protection	51	58	35
Having a house repossessed or being evicted from the house			
Does offer sufficient protection	37	47	66
Does not offer sufficient protection	63	53	34
Having a child			
Does offer sufficient protection	78	80	92
Does not offer sufficient protection	22	20	8
Relationship/family breakdown			
Does offer sufficient protection	51	70	68
Does not offer sufficient protection	49	30	32
Getting sick or disabled			
Does offer sufficient protection	46	33	47
Does not offer sufficient protection	54	67	53
Retiring from work			
Does offer sufficient protection	42	32	66
Does not offer sufficient protection	58	68	34

The debate underway in many European countries does not merely concern the rights and wrongs of deficit reduction, and the fiscal choices that lie ahead on tax and spend, but the future role of the state in the aftermath of the financial crisis: what the state will do more of, less of, and differently in the decade to come given the reality of Europe's precarious public finances and rising demographic and social pressures. To be credible, parties of the left will need not just a short-term plan to address public sector deficits, but a strategic account of what this will mean for the future shape of the state. Lean times mean new challenges which no party with a serious claim to the future can fail to address. The key points to emerge from our comparative survey of underlying public attitudes to the welfare state and social attitudes are as follows:

Support for collective welfare provision in Europe remains strong

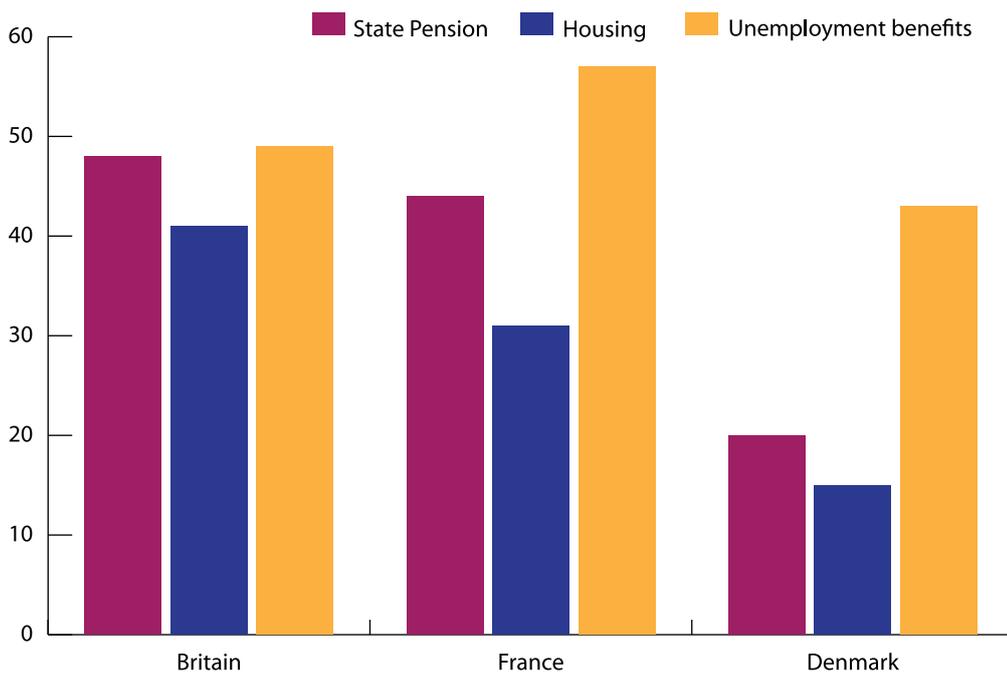
Unsurprisingly in the wake of the global recession, key principles of the welfare state such as protecting individuals from unforeseen risks and ensuring income security in old age appear to command widespread public support. Those who predicted 'the end of welfare' given the realities of a post-industrial, globalised economy and a crisis in the public finances have largely been proved wrong. The welfare state in Europe remains broadly popular and widely supported among a range of constituencies and classes. Indeed, support for the contributory 'social insurance' principle underpinning the welfare state remains particularly strong (and particularly so in the UK). There was still significant support across countries for a contributory system of unemployment insurance: 49 per cent in Britain, 57 per cent in France, and 43 per cent in Denmark. The contributory principle is

supported for pensions by 48 per cent of British voters and 44 per cent of French voters, although the Danes with their strong tradition of welfare universalism are distinctly less enthusiastic (20 per cent). With the exception of social housing provision where the public is more supportive of means-testing (particularly in Denmark and France), there is little appetite for moving away from universal and broadly 'solidaristic' welfare systems towards 'liberal' regimes purely targeted at the poor. The notion that benefits and services should be available to those who have paid fairly into the system has wide currency among voters.

Strengthening the contributory principle may help to underpin support for the welfare state

Indeed, the contributory basis for social security has been eroded over the last thirty years by successive governments of all parties in most European countries, and by major changes in labour markets. Contributory benefits are worth comparatively less, more workers are not covered than ever before, and many citizens fail to claim the benefits they are entitled to. In the UK particularly, the funding basis for the system, National Insurance, has been eroded by successive governments to fund income tax cuts or avoid tax increases, simultaneously reducing fiscal transparency and making the tax and benefit system more regressive. It is little wonder that if citizens see no relationship between the contributions they make and what they can expect in return - Beveridge's founding principle of welfare provision and social insurance in the 1940s - support for social protection regimes is likely to diminish. The survey tested support for the contributory principle in key areas of the welfare state, as Table 2 demonstrates below:

Table 2: Support for the contributory principle in the welfare state



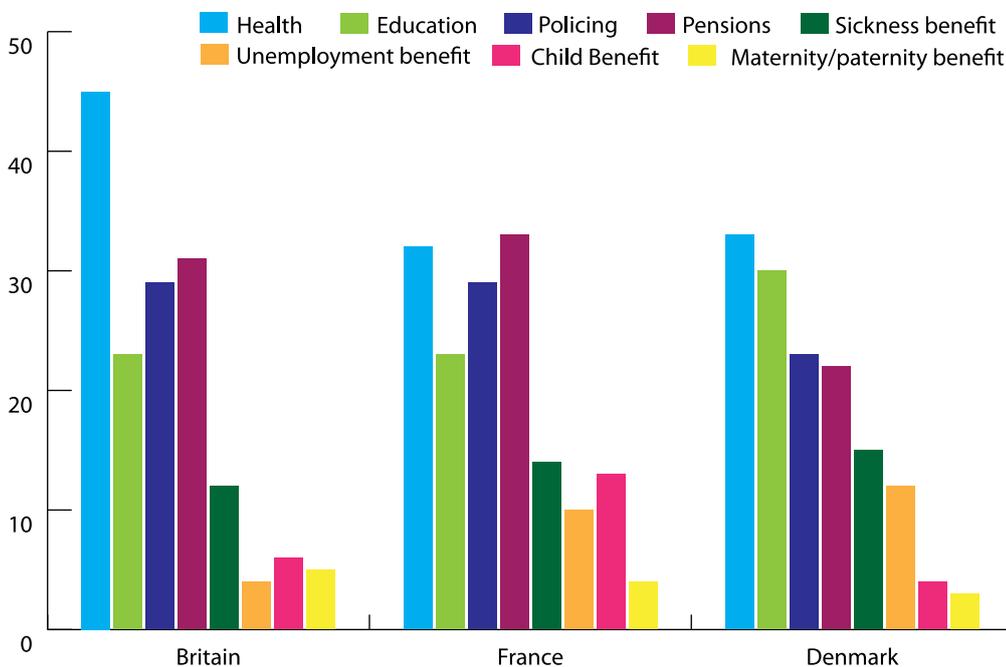
Inevitably, the contributory principle has less resonance in Nordic states such as Denmark which have a long-standing tradition of welfare universalism; moreover, strengthening the contributory basis of the welfare state is not straight forward. Nonetheless, if we focus on those areas where there is a clear rationale for linking benefit entitlements to contributions, a revived contributory principle would apparently help to deal with some of the major challenges faced by social security in a climate marked by fiscal constraints and rapid population ageing. Making clear and strengthening links between 'contribution' and 'entitlement' should help to overcome particular problems of

public legitimacy which welfare systems face, reinstating the value of reciprocity at the heart of the welfare state, 'making reciprocity manifest'. The idea of 'fair contributions' balancing 'rights with responsibilities' appears to strongly connect with what many citizens feel the welfare state is for. However, at the same time, citizens are willing to countenance greater 'targeting' in an era when public finances are unusually weak: scaling back benefits for wealthier groups and targeting benefits on the poor in order to reduce the public sector deficit are preferred to an unequivocal defence of the contributory principle by 54 per cent to 24 per cent in Britain, 62 per cent to 17 per cent in France, and 60 per cent to 13 per cent in Denmark. This indicates that citizens do not want contributory welfare to the exclusion of focusing on 'need'. This poses a question in the light of the 'paradox of redistribution' alluded to earlier in the paper: social democratic welfare regimes have been successful in reducing poverty and inequality, offering universal welfare entitlements and guarantees embracing all classes and constituencies. The shift towards a more residualised welfare model in response to fiscal and public finance pressures may be necessary, but risks impairing the long-term redistributive capacity of European welfare states. The welfare system is not merely intended to provide social insurance, but to redistribute risk across the life-course, between the generations, and within the income distribution. The *redistributive* function of the welfare state ought to remain a key priority.

In redesigning the welfare contract, public support is strongest for services such as health and lower for welfare benefits:

Table 3 below illustrates that with the exception of pensions, which are strongly supported as an entitlement that ought to be protected there is little appetite for additional spending on benefits; the public's priority is to invest in key public services:

Table 3: Which areas of the welfare state merit greater funding in the light of reductions elsewhere?



Again, this poses an important challenge for European welfare state regimes. Although the intentions of the welfare state's founders were never explicitly egalitarian, social protection systems are redistributive by definition, since their key instruments are about 'taxing and spending' resources. The post-war erosion of economic inequality and equalisation in the distribution of

'opportunity goods' such as education and employment in Western Europe were achieved by balancing income redistribution with investment in welfare services. A lynchpin of the Nordic social democratic model is the 'service-intensive' nature of the welfare state: spending on 'social services' (including universal childcare and family services, but excluding healthcare) amounts to over 20 per cent of total expenditure in Denmark and Sweden, compared to an average of 4-5 per cent across the OECD. The egalitarian impact of a 'service-orientated' welfare state can be shown in the example of childcare services. As the quality of care is the same for children from low income households as those with richer parents, the 'marginal welfare gain' from universal spending will tend to be greater for children from poorer backgrounds; the universal model of early years provision helps to narrow the gap in life-chances. Another important example is the 'female employment dividend' of 'family-friendly' policies. Here, the distributive effect is once removed,¹⁸ as the model achieves higher levels of employment. According to Esping-Andersen, the most decisive redistribution occurs through the equalisation of primary, pre-redistribution incomes, enabling more women to access the labour market and increasing the proportion of 'dual earner' households. The universality of employment opportunities translates into exceptionally low poverty risks in the Nordic countries.

The conundrum posed by the survey data is that public support for shifting further towards 'service-orientated' models of welfare capitalism in Europe is currently weak. At present, voters do not appear to support a shift in the orientation of the welfare state from 'old' to 'new' social risks. This is especially true of Britain where voters rank reductions in maternity and paternity leave (26 per cent), child benefit (23 per cent), and pre-school provision (19 per cent) as more legitimate than many other areas of welfare provision. These are not regarded as key areas for an expansion in the coverage afforded by the welfare state. Indeed, in straightened financial times, the public mood appears to favour strengthening 'core' social security and welfare entitlements in pensions and healthcare. This appears to be the case even in Denmark, which among our three country case studies is the welfare model that most closely resembles a social investment state. Focusing additional spending on pre-school childcare (12 per cent), child benefit (4 per cent) and maternity and paternity leave (3 per cent) has low support from Danish voters.¹⁹ There appears to be little public enthusiasm for extending the 'frontiers' of the welfare state to address new risks and needs.

As a consequence, support for transitioning to a 'social investment' state in Europe is relatively muted

Given the immediacy of the current recession, it is hardly surprising that the incapacity of the welfare state to deal with the risk of unemployment is a major concern to voters. 58 per cent of French citizens and 51 per cent of British voters do not believe that coverage is currently adequate (less so in Denmark at 35 per cent). Reflecting acute pressures arising from demographic change and an ageing population, we should not be surprised that inadequate income in retirement is a major concern for 68 per cent of French and 58 per cent of British citizens. Danes think there is the least sufficient protection for becoming 'sick or disabled' (53 per cent). Across countries, there is apparently little support for the proposition that the welfare state does not provide adequate provision to children and families. 92 per cent of Danish voters, 80 per cent of French voters, and 78 per cent of Britons believe that social protection for families is already sufficient. This may reflect a perception that many European countries have already moved towards more 'family-orientated' welfare policies, particularly in Denmark; but there is no great clamour for any further extension in the family-friendly 'frontiers' of the welfare state.

This raises a very significant issue for the future of European welfare capitalist regimes. There is now a considerable danger that productive social investment strategies will be significantly reduced under conditions of austerity. There is compelling evidence that shifting expenditures towards 'growth-orientated policies' in education, active labour markets, and family assistance will help to build-up long-term human capital and innovative capacity, while underpinning the 'gender revolution'

18. Esping-Andersen, G. (1993) 'The Comparative Macro-sociology of Welfare States', in L. Moreno (ed.) *Social Exchange and Welfare Development*, pp. 123-36. Madrid: Consejo Superior de Investigaciones Científicas.

19. These results might reflect the fact that Danes are satisfied with existing levels of provision, which are some of the most generous in the world. Also relevant is that while few Danes support diverting additional revenue to pre-school childcare, very few advocate cutting spending on these services (8%).

in paid work and household labour underway in many industrialised countries.²⁰ Nonetheless, the example of Germany, Sweden and the United Kingdom since 2009 demonstrates that budgetary consolidation in times of financial crisis leads to drastic reductions in social investment. The data on public attitudes infers that this is a rational response by vote-seeking politicians: in other words, 'family-friendly' service-orientated areas of welfare provision are among the easiest to cutback in comparison with healthcare and pensions entitlements.²¹ This may reflect a political context in which the population of many EU member-states is getting older, and voters over fifty are those with the greatest propensity to vote.²²

Indeed, the data suggests that support for traditional aspects of the welfare state is felt most strongly among this increasingly influential demographic cohort. In Britain, for example, older voters are more likely to support the contributory principle in the welfare state by a margin of 31 to 16 per cent compared to 18 to 24 year olds, particularly for unemployment and housing. They are strong supporters of the National Health Service (51 to 37 per cent), state pensions (44 to 13 per cent), and policing (36 to 18 per cent). Older voters are less likely to support increased investment in primary and secondary education by 16 to 32 per cent. Moreover, older respondents support cutting back maternity and paternity benefit by a margin of 37 to 15 per cent compared to younger voters; the ratio is 29 to 12 per cent for child benefit, and 24 to 9 per cent for pre-school childcare.

As a result of the financial crisis, social investment may converge to an undesirably low 'equilibrium' in Europe, impairing both equity and efficiency. The capacity for effective redistribution will be diminished, while Europe's ability to compete with emerging market economies will be weaker over the long-term. As such, new 'life-course' and 'intergenerational' inequalities may go addressed, adversely effecting Europe's long-term growth potential, while leading to rising gini co-efficients across member-states.

Conclusion

The politics of the welfare state have been the dominant theme of this paper. First, there was a brief discussion about how we might think about the role of the state and social welfare in the light of the different 'worlds' of welfare capitalism that exist across the European Union (EU). Second, the paper considered the politics of contemporary welfare states in the aftermath of the financial crisis, and how different alignments of political support might help to protect particular welfare principles and institutional arrangements. This was followed by an analysis of public opinion survey data commissioned for this study; initial conclusions are then drawn. Of course, it is clearly not just public attitudes that matter in determining the size and nature of the welfare state: the balance of social forces and the EU-wide drive for austerity have led to retrenchment across the Eurozone.

Since the late 1990s, there has been a growing consensus within European social democracy about the case for a 'Nordic-style' social investment state, creating a virtuous 'equilibrium' between markets and social justice. Welfare capitalism in Europe operates at the level of the nation-state, alongside the social dimension of European integration manifested in recent approaches such as the Lisbon agenda and the *Europe 2020* strategy.²³ This paper maintains that effective policies are needed both at the national level, and within the key European Union (EU) institutions.

However, the evidence indicates that public support for tackling 'new' social risks is not particularly strong at present, and worryingly the financial crisis appears to have reinforced the consensus for the 'traditional' welfare state, promising higher pension payments and public expenditure on health alone. Indeed, the crisis may be shoring up the 'old' welfare state edifice at precisely the moment when Europe's welfare states ought to be adapting in the light of major structural challenges, threatening future equity, growth and social sustainability.

20. Esping-Andersson, G. *The Incomplete Revolution: Adapting to Women's New Roles* Cambridge: Polity Press, 2009.

21. Myles, J. (1984), *Old Age in the Welfare State: The Political Economy of Public Pensions*, Boston: Little Brown.

22. Goerres, A. (2007), Why are older people more likely to vote? The impact of ageing turnout in Europe, *British Journal of Politics & International Relations*, 9, pp. 90-121.

23. *The Europe 2020 strategy*: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

The argument of this paper is that a new 'trilemma' is emerging in the politics of European welfare capitalism between conservatism, targeting and social investment:

- First, the welfare state remains broadly popular among the electorate, despite the wave of neo-liberal restructuring in the 1980s and 1990s. However, this is accompanied by a considerable degree of resistance to change among key voter groups and an underlying 'conservative' bias.
- Second, support for the welfare state is anchored in the contributory principle, but in the light of the financial crisis, many voters accept the need for greater targeting which impairs equity in the long-term.
- Finally, equity and efficiency necessitate a shift from passive income maintenance and 'old' social risks to social investment strategies that address 'new' social risks. However, the preferences of voters reinforce the 'elderly bias' of existing social security and welfare state arrangements.

As such, an apparent conflict has emerged between the objective of securing support for the traditional welfare state, responding to the crisis by accepting higher levels of targeting and means-testing, and securing agreement for social investment approaches that divert resources from existing social security benefits and guarantees. Politicians will be able to achieve two of these objectives simultaneously, but it is unlikely they can secure all three. For example, shifting to greater means-testing will increase the scope for social investment, but is likely to erode popular support for the welfare state. Sustaining support for the traditional welfare state by minimising the use of means-testing will reduce the resources available for addressing 'new' social risks. Maintaining existing welfare guarantees while extending the 'frontiers' of the welfare state through social investment without any further means-testing of social security is likely to be fiscally unsustainable. This paper has sought to highlight the danger that such a trilemma will merely reinforce the *status quo ante* in European welfare systems.

Moreover, the challenges outlined in this paper will require a very different model of how to conduct welfare state politics in the future. Social democratic parties have been adept in the past at using higher public spending commitments to build coalitions of voters based on appealing to 'sub-sections' of the electorate by dispensing benefits to working parents, poorer pensioners, public sector workers, and so on. There is, as yet, no real sense that any of the parties has fully grasped the implications of moving from an era of 'plenty' to an era of 'less', while addressing the in-built conservative 'bias' of the welfare state.

Indeed, the biggest threat to social justice in Europe is not radical institutional change, but the 'frozen' welfare state landscapes where resistance to change is institutionalised, and major interest groups are able to define how welfare systems operate. The strategy of shifting resources from passive income maintenance to employment and family promotion remains optimal both for equity and efficiency, and does not weaken the case for continuing to undertake income transfers and redistributive measures. This approach is now widely favoured among European social democratic parties, including the UK Labour party, accompanied by repeated references to the inherent virtues of the Nordic model. However, major obstacles to the promulgation of social investment strategies persist. It will require skilled political leadership to secure the consent of the electorate for a different balance of resources and priorities in the European welfare states of the next decade and beyond.

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