

GOSTA ESPING-ANDERSEN

## The Three Worlds of Welfare Capitalism

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In the social sciences there are several types of good books. There are books that raise important issues, sifting the evidence objectively and dispassionately; there are those that treat a narrowly defined topic with methodical precision; and there are those that set the mind racing with hypotheses not necessarily contained in the text but suggested by it. Gosta Esping-Andersen has written a book that comes closest to the third type of good book. Clearly, it does deal with an important subject, or an array of loosely connected subjects, namely the evolution of alternative models of 'welfare capitalism' and the employment structure that accompanies them. But even the most sympathetic reader – of which the current reviewer must be counted – is likely to wriggle uneasily in reading it, as concepts flash by without definition, links between subjects are left rather vague or unspecified and typologies are laid out in a rather cavalier manner.

Some typologists have a fascination with dualisms, some have a preference for fivefold distinctions. Clearly, Gosta Esping-Andersen has a thing about three. What does it mean to stipulate three types of welfare state? Is it not a remarkable coincidence that there should be three types of labour market trajectory? A reviewer is entitled to be a devil's advocate. The approach assumes that historically distinctive antecedents of welfare states leads to 'qualitatively different development trajectories' (p. 3). Yet one is left to ponder whether a Sweden, a Germany or a USA converges to some single model or remains distinctive.

This book is a very ambitious one, and yet it is fairly short. The subject matter it covers

is vast. Chapter 1 is designed to present the 'political economy of the welfare state', comparing what the author calls the systems/structuralist approach and the institutional approach derived from Polanyi, before discussing the 'class mobilization thesis' and then the 'class coalition approach' derived from Barrington-Moore, to which Esping-Andersen seems to adhere. On rereading Chapter 1, having read the whole book, it was mildly amusing to note the author's criticism of past research for supporting a particular view 'without fully testing against plausible alternative explanations' (p. 19). This book made no attempt to set an example, and the comment was symptomatic of a tendency that permeates the book to make too many asides that could have been deleted without in any way affecting the central arguments.

Esping-Andersen claims that it is incorrect to explain the welfare state by reference to actual spending. This is surely correct. He prefers to focus on Marshall's social citizenship, considering the extent to which the welfare state 'decommodifies' and judging what he perceives as the three forms of welfare provision by that criterion – social assistance (rights attached to need), social insurance (rights attached to contributions) and 'Beveridge-type citizens' benefit' (p. 22). He depicts the welfare state as also a varied system of stratification. The social assistance model is depicted as promoting social dualism, the social insurance one as consolidating divisions among wage earners (with a labyrinth of status-specific insurance funds), while the universalistic one supposedly inadvertently promotes dualism because those who can afford it opt for private insurance. Maybe that is a little strong, because one could argue that the universalistic model (to the extent that there is *one* such model) reduces the extent of such dualism. There is another theme here that he does not take up, which is that the tendency to opt out is a reality against which all modern welfare systems will have to adjust.

What is a welfare state regime? Esping-Andersen defines it as a specific arrangement of institutional determinants of social rights and stratification by means of the state, market and family (p. 26). He then clusters countries into a liberal welfare state (e.g. USA, lumped uneasily with Australia and Canada), the corporatist welfare (Austria, France, Germany, Italy) and the social democratic regime, which presumably covers the Scandinavian countries. It is beyond doubt where the author's sympathies lie. However, to characterize the third regime as 'highly decommodifying' implies a peculiar interpretation of the notion of decommodification. That model depends on almost everyone being a wage-earner or salaried worker, and indeed it almost requires them to be. In the Marxian sense of the term, it commodifies more extensively than other regime types. Indeed, when Esping-Andersen says that in the third regime 'the right to work has equal status to the right to income protection' (p. 28), the word 'right' could be replaced by the word 'obligation'. One worries about the lack of clear distinction when he refers in another context to Bismarck contemplating 'legislating the right (or *obligation*, if you wish) to employment' (p. 40, italics added). Rights are not the same as obligations, whether we wish it or not.

The author defines the decommodification of social policies by ease of access, long duration of entitlement, high income replacement and broad range of entitlements. By collapsing the first two he retains his 'three'! He then divides entitlements into three kinds of arrangements (need-based, work-based, universal flat rate), but adds that 'every country today represents a system mix' (p. 49). If so, then the interesting question becomes 'What are the predominant tendencies within welfare states?' One could argue that the three-regime framework is too restrictive, or that it is the changing composition of welfare policy that should be the focus of analysis.

Esping-Andersen has a provocative section

in which he classifies eighteen industrialized countries on a composite scale of decommodification potential in pensions, sickness benefits and unemployment benefits. This is rather neat, though the weighting in the derivation of the indices is necessarily rather subjective. Correspondingly, the rank-order of a combined index is even more subjective. It is a little discomfiting that Sweden comes out well on top even though its unemployment insurance actually ranks only eleventh out of eighteen.

Chapter 3 on the welfare state as a system of stratification should generate debate and more research. The claim is that there are three models of stratification – traditional status conservatism (producing 'etatist paternalism', social assistance, corporatism and status-differentiated social insurance), liberal social policy (based on free markets and leading to 'dualism' and individual market insurance), and socialist social policy (geared to solidarity stratified by the nature of either fraternal associations or trade unions). Esping-Andersen draws out difficulties of the latter in seeing the conflict between universalism and labour movement objectives (p. 68). But he drifts too facily into an approving description of Swedish social democracy combining 'universal entitlement with high earnings-graduated benefits' or 'a universalism of middle-class standards' (p. 69). Could the continued mobilization of the majority be sustained in that model? Esping-Andersen does not deal with the tensions that such a pattern generates.

The statistics used to illustrate these three forms of stratifying social policy are unsurprising. One is unclear about the relative weights in composite country scores along the three summary notions of conservatism, liberalism and socialism. But once again we can see options for future refinement.

Chapter 4 is devoted to 'pension regimes', focusing on the public-private mix. When he dismisses the extent of private occupational pensions as low, one realizes that his database is over ten years out of date, stopping in

1980. This is unfortunate, since major changes in privatization of social policy really began only in the 1980s. His three pension regimes might look rather more variegated in 1991. Apart from that, the chapter contains an interesting historical analysis of the evolution of pension regimes from the nineteenth century onwards.

Chapter 5 on 'distribution regimes' in the power structure opens with a series of heavy questions that a single chapter could not hope to address. One has a feeling at some points in the subsequent sections that the author is tilting at windmills. Thus we are told that the welfare state is 'undertheorized' (pp. 106–7) and that to talk of 'working class mobilization' is to plunge into a world of fallacies (p. 109), only for the author to plunge ahead with the latter notion. Moreover, one is made painfully aware that the book was conceived in the early 1980s, if not earlier, when we read that there has been a 'convergence towards wage earner mass movements' towards 'the social democratic model' (p. 110). In 1991 one might blush at such remarks, as one might at the succeeding eulogy of the Scandinavian (essentially Swedish) model. Nevertheless, these may be minor quibbles, since the reader will find the empirical analysis in the chapter of abiding interest. Questions about the methodology and interpretation of the correlations must remain for future work. One feels that the direction of causation is sometimes too cavalierly presumed, as in the case of the claim that a high percentage of social security pensions in total pensions implies that the public has 'crowded out' the private (p. 125). Several of the little empirical tests are hard to fathom, notably that connected with what is called the 'full employment performance' (pp. 130–1). We are told that this is the sum of the average unemployment rates over two periods 'multiplied by the ratio of inactives in the population aged 15–64'. As this does not make any sense, there must be a misprint, but the accompanying text is not clear either. One can understand the author's objective – to

inflate the unemployment rate for those countries that responded to rising unemployment by cutting labour supply relative to those that maintained it. However, the procedure is bizarre, and the objective questionable. Some countries, such as Sweden, cut labour supply by encouraging the growth of underemployment through high ratios of part-time employment, high-levels of non-working participation, and so on, rather than by solely cutting the activity rate. The correction intimated by the author (however it was done) is biased in favour of countries such as Sweden in terms of perceived full-employment performance. That aside, the procedure certainly does not 'capture not merely unemployment but also performance in terms of job creation' (p. 131). These issues are not mere quibbles, since Esping-Andersen reaches what would be a very strong conclusion, if true: 'economic growth rates have no influence whatsoever on full employment performance' (p. 131). The latter, he adds, is a matter of political will. One is forced to reserve judgement.

The second part of the book (much shorter than the first) is concerned with the type of employment structure associated with identifiable welfare regimes. As throughout the text, the author offers many hostages to fortune, such as 'the welfare state is becoming deeply embedded in the everyday experience of virtually every citizen' (p. 141) and 'contemporary politicians must commit themselves to a full employment that recognizes no gender boundaries' (p. 142). Neither seems likely to be among the verities of the 1990s.

The main thesis of Part II is that each of the three welfare state regimes is associated with a 'peculiar labour market regime', and to test this the author uses the USA as representative of the liberal regime, Sweden of the social democratic and Germany of the conservative regime. One could argue endlessly about the thesis, choice of country and methodology deployed. But one could not deny the provocativeness of it all.

One cannot deal with all the subthemes in the plot; those are for the reader to mull over. This particular reader wished that the author had been less dismissive of straw men in Chapter 6. It is not fair – or necessary – to claim that ‘contemporary scholarship’ has ignored the links between social policy and labour market behaviour (p. 147). Many economists have examined such links. In this chapter, one is left sceptically scribbling in the margins. It is not true that ‘in countries like Sweden and Norway a policy of diminishing labour supply was regarded as inappropriate’ as a response to the economic crises (p. 153). As shown elsewhere, Swedish policy-makers devoted a great deal of ingenuity and public resources to means of reducing labour supply, including various schemes to induce early retirement (G. Standing (1988) *Unemployment and Labour Market Flexibility: Sweden*, Geneva, ILO).

Regrettably, Esping-Andersen is too biased in favour of the Swedish system, interpreting their efforts to reduce labour supply as permitting ‘employers to pursue non-work-related activities within the work contract’ (p. 155). But more importantly, in this chapter one feels that the analysis of regimes is static, bypassing contradictions within each regime.

Chapter 7 is an enjoyable review of institutional attempts to preserve high levels of employment as the post-war era of Full Employment came under growing pressure. The chapter is at times rather discursive and speculative, providing its fair share of suitable undergraduate exam questions. Thus, for example ‘Trade union organization constitutes one important obstacle to full employment maintenance during prolonged economic stagnation’ (p. 179). Discuss in twenty pages! That all depends on the nature of the union organization; the statement seems *very* un-Scandinavian. This reviewer is convinced, for example, that the unions have enabled Finland to maintain much lower levels of unemployment during their adjustment phase than has been the case in countries where unions have been much weaker.

Chapter 8 is among the most intriguing, comparing Germany, Sweden and the USA in terms of service-job creation. One feels that a friendly, critical reader could have helped tighten the text in places, as where the author jumps uneasily between employment and labour force trends (p. 197) and where we are told that ‘in Sweden there has been no real reduction of hours’ of work, and then that in Sweden ‘part-time jobs have dominated new jobs’ (p. 198), without that somehow meaning that part-time jobs involve a reduction of hours compared with full-time jobs. Most labour economists would also be sceptical about some of the chapter’s conclusions and the methodology used to reach them, feeling that to address the questions raised effectively one would need more powerful data. For example, although one *feels* that the author is probably correct, the data presented in Table 8.8 (p. 209) are inconclusive evidence of a decline in gender-based occupational segregation. Thus in Sweden, women were more underrepresented among managers in 1984 (the later of the two years examined) than in 1965, and among industrial workers they were much more underrepresented in the later year. It is one of the ironies of the Swedish social-democratic regime that gender-based labour market segregation has been so pronounced and so persistent (a point recognized by the author, without real comment). As for the general claim that the ‘data leave little doubt that a pervasive occupational upgrading has occurred’ (p. 212), one is left timorously uneasy, especially when one reads that for women ‘in both Germany and Sweden the ratio of professional to junk jobs has deteriorated’ and the more so when one sees in Table 8.12 that there had been a decline in the ratio of male managers to other male jobs and a substantial fall in professional jobs as a percentage of junk jobs (a funny ratio). The debate on upgrading, ‘deskilling’, polarization, fragmentation and so on has a long way to go over the next few years.

The conclusion seems reasonable that

Sweden has produced a social-welfare-led post-industrial employment structure, the USA a dual one of business services and 'fun' (junk) jobs, and Germany nothing much of a post-industrial change. However, one wonders about the causal connection between welfare states and employment structures, as well as about the durability of the respective regime trajectories. Sweden's route has recently become rather strewn with obstacles. Meanwhile, the USA's deindustrialization has accelerated since the data used in this book were collected, while the continued growth of both low-productivity and higher-status service jobs may be constrained by the desire to control budgetary and balance-of-payments deficits. Finally, Germany's new role as an engine of international economic growth may result in a relaxation of fiscal policy in the 1990s, which would boost service-type jobs. The author of this book is aware of these developments, and one looks forward to his continued wrestling with the large comparative data set that he is assembling, and a companion book published in two or three years' time.

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**The Welfare State in Capitalist Society: Policies of Retrenchment and Maintenance in Europe, North America and Australia**

*Hemel Hempstead, Harvester Wheatsheaf, pp. 152, ISBN 0-7450-0049.5 (ISBN 0-7450-0211-0 pbk)*

This important and useful book is a sequel to Mishra's *The Welfare State in Crisis*. In that book he argued that there were two responses at the level of political ideas to the break-up

of the post-war welfare state consensus (the Keynesian Welfare State). One was the neo-conservatist response of the right. The other was the corporatist or integrated welfare state approach that could be the most effective response of the left. The second was characterized by a strategy of societal corporatist bargaining in which production, wage levels and level of employment on the one hand and welfare provision and benefits on the other would be considered as a package.

In *The Welfare State in Capitalist Society* Mishra reviews the effectiveness of these two policies as they have been put into practice in the 1980s. He argues and demonstrates that there have been countries like Britain, the USA and to some extent Canada that have adopted the policy of welfare state retrenchment. There have equally been countries like Sweden, Austria and to some extent Australia that have adopted the policy of welfare state maintenance. These two groups of countries and strategies are broadly similar to the 'liberal welfare state' and 'social-democratic welfare states' identified by Esping-Anderson in *The Three Worlds of Welfare Capitalism* (see second book review).

In relation to the policy of retrenchment he asks how far in practice as distinct from in rhetoric have the countries concerned actually managed to set the irreversible welfare state in reverse. He concludes that whereas little retrenchment has been possible in the universal social services used by the middle class, there have been significant tax reductions on the rich and cut-backs in provision for the poor and, of course, the increase of employment associated with this policy has itself created new welfare dependents. Inequality has risen in these countries. A greater dualization of society is to be observed.

In relation to the policy of maintenance he asks how far in practice have these countries succeeded in maintaining full employment and levels of provision and benefit despite the pressures of increased international capitalist