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Classifying Welfare States: a Two-dimension Approach

GIULIANO BONOLI*
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ABSTRACT

This article begins with a survey of some influential classifications of welfare states based on different dimensions of social policy. Advantages and shortcomings are pointed out in relation to each classification reviewed. It is argued that none of these single-dimension classifications is in fact adequate to understand past and current developments in European social policy. An alternative classification, which combines elements of the ones reviewed above into a two-dimension approach, is proposed. This two-dimension classification is then related to past developments and current debates in European welfare states. The strength of this approach is its ability to reflect social policy developments in terms of both the expansion/contraction of state welfare and the convergence/divergence of European social policies.

INTRODUCTION

Much of the existing literature on comparative social policy has been concerned with the classification of welfare states and the identification of ideal-types of welfare provision. This is understandable: state welfare is a matter of high complexity, particularly when it comes to explaining differences between existing models of social protection. The classification of welfare states and the resulting identification of ideal-types is thus a powerful tool for comparative social policy, as it performs a significant reduction of complexity. For instance, if instead of finding causal relationships for some twenty individual cases, one can group them into three or four categories, characterised by the same number of ideal-types, then the identification of the factors responsible for the development and the shape of a welfare state becomes significantly more practical.

In the current situation, this sort of exercise has acquired additional relevance. In fact, virtually all welfare states are going through a period

* Research Fellow, Institut des sciences sociales et pédagogiques, University of Lausanne, Switzerland.

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of crisis and restructuring and social policy is central to the political debate in virtually all advanced industrial countries. In this respect, the identification of a number of ideal-types of social protection provides a picture of the options available for reform. This is obviously not an exhaustive picture, since nothing prevents policy-makers from developing completely new solutions to current problems. However, if one looks at history, one will find that reforms have frequently been incremental, and that the example of foreign countries has played an important role (Ferrera, 1993, p. 126). In addition, in today's highly interdependent world, purely national solutions to problems of this scale are increasingly unlikely. What we are seeing is the gradual implementation of a series of minor reforms, which are then assessed and sometimes discussed in international fora, such as those provided by the European Union. In this respect, a classification of welfare states, and the subsequent identification of ideal-types, can give an approximate picture of the range of options available to policy-makers for policy reform.

The main argument of this paper is that most of the existing classifications of welfare states are in fact inadequate in providing a guide to past and future developments in social policy. The main problem lies with the fact that most classifications are based on a single dimension of social policy. Most of the literature, particularly in the Anglo-Saxon tradition, has concentrated on the 'quantity' of welfare provision, its 'how much' dimension.[1] In contrast, continental European authors (mainly French) have concentrated on the different models of welfare provision (the 'how' dimension) but have neglected the quantity of welfare provided by the different systems.

And yet, both dimensions are of extreme relevance, both to historical analysis and to understanding current change. In fact, the history of and, possibly, present-day social policy are characterised by two main developments: on the one hand, the expansion (or the contraction) of state welfare; on the other, the convergence (or the divergence) towards (or away from) a median model of social protection. Ideally, a classification should be able to capture movements in both dimensions, the how much and the how of welfare provision. This is precisely the objective of this paper, which in fact attempts to combine in a single approach the 'quantity' based Anglo-Saxon tradition and the French approach which places more emphasis on the 'how' dimension of welfare.

CLASSIFICATIONS OF WELFARE STATES

The literature on comparative social policy abounds in classifications of welfare states. Traditionally, different countries have been classified

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according to the level of expenditure on social welfare (Cutright, 1965; Wilensky, 1975). This approach, by concentrating exclusively on the level of expenditure, completely neglects other dimensions of welfare provision. Although there probably was awareness of the existence of significant differences in the way different welfare states are financed and deliver provision, these differences were generally ignored. In other words, comparative scholars have concentrated almost exclusively on the 'how much' dimension of welfare provision and have almost totally neglected its 'how' dimension (Ferrera, 1993, p. 11).

Esping-Andersen and decommodification

In more recent years, however, there has been growing awareness among comparative social policy scholars, that an approach based solely on expenditure is fundamentally inadequate, if it is to reflect the essential features of each individual welfare state (Esping-Andersen, 1990; Cochrane, 1993, p. 7). For instance, in his path-breaking work, *The Three Worlds of Welfare Capitalism*, Esping-Andersen pointed out that an approach which concentrates only on expenditure is misleading, because 'not all spending counts equally' (ibid., p. 19). For instance, he points out that in Austria large sums are spent on a scheme for privileged civil servants. When comparing welfare efforts, expenditure on such programmes should not be considered as equivalent to spending on universal schemes.

Consequently, Esping-Andersen suggests a classification based on the level of decommodification provided by the different welfare states, which takes into account the scale of provision and also features relating to how a given level of provision is delivered. In this respect, Esping-Andersen's work is clearly an attempt to break with the 'expenditure' approach to comparative social policy. Decommodification is defined as 'the degree to which individuals or families can uphold a socially acceptable standard of living independently of market participation' (ibid., p. 37). The level of decommodification provided by a welfare state depends, he argues, on the stringency of eligibility rules, on the level of income replacement and on the range of entitlements (ibid., p. 47). In sum, a highly decommodifying welfare state is one which grants benefits irrespective of the claimant's fulfilment of given conditions, such as a record of paid contributions. In addition, the level of the benefit must be adequate to guarantee a decent standard of living and, lastly, the welfare state must offer 'protection against the basic social risks: unemployment, disability, sickness and old age' (ibid.).

Decommodification is thus a complex dimension, which combines elements of both the scale of provision (such as the level of benefits and the

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range of needs covered) and the way in which welfare provision is delivered (such as the conditions for entitlement). In fact, Esping-Andersen's approach consists basically of projecting elements of these two dimensions onto the decommodification dimension. In other words, both the 'how much' and the 'how' of welfare provision are taken into account only in so far as they affect the decommodifying impact of social policy. To go back to the generous scheme for Austrian civil servants, the high level of its benefits will have a positive impact on decommodification, while the fact that it is limited to a particular section of the population will reduce that impact (by weighting the decommodification score by the 'percent of the (relevant) population covered by the program' – ibid., p. 54).

Hence, Esping-Andersen's approach represents only a partial break with the quantification tradition (Kemeny, 1995). By projecting elements of both the 'how much' and the 'how' dimension on the decommodification dimension, Esping-Andersen still ends up with a classification based on the quantity of welfare provided by individual welfare states.[2] The only difference is that instead of simply using social expenditure, he uses decommodification as the dimension against which welfare states must be measured. It is implied that decommodification is the central feature of social policy rather than mere expenditure.

While this contention is certainly convincing, it can be argued that this approach still fails to reflect the substantial differences which exist in the way welfare is delivered. This is shown by the fact that social-insurance based welfare states, such as the Netherlands, end up in the same cluster as Denmark, a welfare state based on universal tax-financed provision (Esping-Andersen, 1990, p. 52). This seems to be a fundamental problem in the decommodification approach: it cannot satisfactorily discriminate between welfare states based on different models of social protection, i.e. social insurance versus state provision, or with the terminology used below, between Bismarckian and Beveridgean social policy.

The fact that Esping-Andersen's work remains confined to a single-dimension perspective is arguably one of its main weaknesses. Certainly, much of the criticism it has attracted has been concerned with the fact that his model neglects aspects which are seen as central to social policy, but which are not captured by the decommodification approach. In addition to the problems discussed above in relation to the social insurance versus universal tax-financed provision dimension, it has been pointed out that his classification fails to account for Southern European welfare states, where the family and other informal networks constitute *de facto* important providers of welfare (Abrahamson, 1991; Leibfried, 1992). A

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second substantial criticism has come from the feminist perspective, since Esping-Andersen's decommodification criterion is unable to discriminate welfare states in terms of their treatment of women (Langan and Ostner, 1991, p. 130; Taylor-Gooby, 1991, p. 101; Cochrane, 1993, p. 10).

Ferrera and the coverage model

Recently, Ferrera (1993) has suggested an alternative classification of welfare states and subsequent identification of ideal-types of welfare provision. Ferrera openly sets out to break with the quantification approach (ibid., p. 11) and concentrates on one important aspect of the way welfare is delivered – the coverage of social protection schemes. Coverage can be universal, when the entire population is covered by a single scheme, or occupational, when different groups in society are covered by different schemes. Universal provision is a typical feature in Scandinavian social policy, as well as (partly) in Britain. By contrast, continental European countries are generally characterised by fragmentation of social protection schemes along occupational lines. Occupational fragmentation constitutes the central feature of Ferrera's ideal-type of an occupational welfare state. By taking into account the historical developments of a number of European welfare states, Ferrera suggests the following four types of classification.

Ferrera's classification is based on the coverage model (*modello di copertura*) which is dominant in a given country. He substantiates his choice of the coverage model as a central dimension of social policy, by arguing that since it focuses on the recipients of social protection, it is better able to identify (potential) winners and losers in different welfare arrangements,

TABLE 1. *Classification of welfare states according to Ferrera*

Occupational welfare states	
pure	mixed
France	Switzerland
Belgium	Italy
Germany	Netherlands
Austria	(Ireland)
Universalist welfare states	
pure	mixed
Finland	New Zealand
Denmark	Canada
Norway	UK
Sweden	

Source: Ferrera, 1993, p. 83.

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and as a result provides a fruitful background for the identification of the social and political forces which were responsible for the development of European welfare states (ibid., pp. 11–12).

However, for our purposes, what is important about Ferrera's classification is certainly the fact that it constitutes a clear break with the quantification approach. The dimension chosen, the coverage model, is considered as totally independent from the level or the quantity of welfare provided by a given system. An occupational welfare state can be generous or not, while the same is true for a universalist welfare state. A quick look at Table 1 shows that Ferrera considers Switzerland (usually considered a welfare laggard) and the Netherlands (a welfare leader) as belonging to the same category of welfare states. This is an example of how Ferrera's classification denies any relationship between the coverage model and the quantity of welfare provided. This is arguably an important aspect of Ferrera's classification, because it makes a distinction between who receives welfare provision and how much welfare is delivered by the state. In this respect Ferrera's classification, unlike Esping-Andersen's, is able to account for differences in the way welfare is delivered. However, its obvious weakness is the fact that it now fails to take into account the quantitative dimension of state welfare. Ideally, a classification should be able to capture both dimensions – the quantity of welfare provision and the way in which this provision is delivered.

The French tradition: Beveridge and Bismarck

Ferrera's classification according to the coverage model is related to other aspects of social policy as well. If one looks at his classification (Table 1) one will find that the category of universalist welfare states corresponds to the Anglo-Scandinavian tradition of social policy, which places emphasis on government tax-financed provision (more so in Denmark than in Britain). On the other hand, occupational welfare states are related to contributory social insurance which is the main form of welfare provision in continental European countries such as Germany and France. In this respect, the coverage model can be seen as only one aspect of a wider characterisation in terms of more general ideal-types of social policy.

In France, comparative social policy has concentrated on the identification of two types of welfare provision which are related to the two models used by Ferrera. Reference is generally made to the Beveridgean and to the Bismarckian models of social protection. As Chassard and Quentin put it:

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> [There is a contrast] between the Bismarckian tradition, which relates proportionally each wage-earner's rights to the contribution that he or she has paid or that the employer made on his or her behalf, and the Beveridgean concept of a general insurance plan for the whole population of a country. (Chassard and Quentin, 1992, p. 94)

The distinction between Bismarckian and Beveridgean social policy is fairly common in the French literature (Spicker, 1995). Reference to the two models can be found virtually in every article or book concerned with comparative social policy (see e.g., Chatagner, 1993, p. 106; Hirsch, 1993, p. 142; Castel, 1995, p. 5; Rosanvallon, 1995, p. 45).

The two models are usually defined in terms of the features which are typical of one or the other model. Bismarckian social policies are based on social insurance; provide earnings-related benefits for employees; entitlement is conditional upon a satisfactory contribution record; and financing is mainly based on employer/employee contributions. In contrast, Beveridgean social policy is characterised by universal provision; entitlement is based on residence and need (or only residence); benefits are typically flat rate and are financed through general taxation. However, a more abstract criterion can be identified in order to discriminate between the two models, and that is the overall objective of social policy. Bismarckian social policy is concerned with income maintenance for employees, whereas Beveridgean social policy aims at the prevention of poverty. Table 2 provides a summary of the main features of Bismarckian and Beveridgean social policy discussed so far, as these two concepts are generally understood by French scholars.

It should be noted, however, that the use of the concept of Beveridgean social policy, has probably changed in meaning over the years. In fact, much of the continental European literature on social policy, including EU official publications, have used the concept of 'Beveridgean social policy' in order to describe universal (or means-tested), tax-financed, flat rate provision. This is in contrast with Beveridge's preference for contribution financing rather than taxation, and his aversion to means-testing (Silburn, 1995, pp. 92–3). This incorrect understanding of Beveridgean

Table 2. *The Bismarckian and the Beveridgean model of social policy*

	Bismarckian model	Beveridgean model
OBJECTIVE	income maintenance	prevention of poverty
BENEFITS	earnings-related	flat-rate
ELIGIBILITY	contribution record	residence or need
COVERAGE	employees	entire population
FINANCING	contributions	taxation

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social policy probably developed because many concentrated on the overall objective of Beveridgean social policy, i.e., 'freedom from the five giants', rather than on the instruments he suggested using.

The Beveridge–Bismarck distinction emphasises a major difference between the two models of social policy. While the outcome might be fairly similar, i.e., a transfer of resources from the working population to the non-working population, the underlying objective is substantially different. In a purely Bismarckian welfare state, there is strictly speaking no concern for poverty and for that section of the population which does not participate in the labour market. Bismarckian social policy is a powerful instrument to enhance the position of workers in a market economy. However, it has no effect on those who do not have access to the labour market. Historically, it is easy to understand why this kind of social policy developed in the first place: Bismarck's concern in the 1880s was the rise of the labour movement and the threat this posed to political stability. By giving substantial advantages to workers, he was able to buy their allegiance. Since other groups did not represent a threat to stability, Bismarck had no interest in improving their position (Alber, 1986; Baldwin, 1990). In contrast, Beveridgean social policy, defined as aimed at the prevention of poverty, is obviously directed at the whole population of a country, rather than limited to a section of it, the eradication of poverty being otherwise impossible.

As it is the case in Ferrera's classification, the distinction between Beveridgean and Bismarckian social policies does not imply any relationship in quantitative terms between the two models. A Bismarckian welfare state can in principle provide more, the same level, or less welfare than a Beveridgean welfare state. Obviously, the two models will have implications for other dimensions, such as equality and redistribution, but, in principle, the social policy model is considered independently from the quantity of welfare it provides.

One of the main shortcomings of the Bismarck/Beveridge approach, seems to be the fact that it fails to capture the difference between universal and means-tested provision. The two are obviously linked, because they (potentially) refer to the whole population of a country and because entitlement to these benefits does not need to be earned (unlike in Bismarckian social insurance). It is also true that historically universal provision developed as an extension of existing means-tested schemes, as has been the case in Sweden and Denmark (Baldwin, 1990). Nevertheless, it seems clear that, given the difference in terms of 'effort' required by means-tested and universal schemes, it would be appropriate to distinguish between them in a classification. As was the case with

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Ferrera's classification, the Bismarck–Beveridge approach seems to fail to reflect differences in the level of provision. It concentrates on the how dimension but neglects the how much.

As argued earlier, single-dimension classifications of welfare states, such as the ones reviewed above, fail to reflect much of the complexity of the evolution of the European welfare state as well as of current debates on social protection in many European countries. Ideally, a classification should be able to capture aspects belonging to different dimensions. This can be achieved by combining two single-dimension classifications, namely the one based on the quantity of welfare (measured by social expenditure) and the one based on the dominant model (Beveridge/ Bismarck).

A TWO-DIMENSION CLASSIFICATION OF EUROPEAN WELFARE STATES

In the light of what has been argued in the previous sections, a two-dimension classification can be developed. European welfare states can be classified according to the quantity of welfare they provide and according to where they stand on the Beveridge versus Bismarck dimension. The choice of an indicator which measures the quantitative dimension is fairly straightforward: social expenditure as a proportion of GDP reflects the quantitative importance of the overall social transfer. It is more problematic, however, to select an indicator which measures the relative size of Bismarckian and Beveridgean provision within any given welfare state. The two concepts are defined in terms of the objective they set out to achieve, i.e., prevention of poverty versus income maintenance for employees. Ideally, what should be used is a combined index which takes into account the different sub-dimensions identified in Table 2. However, comparable data on these sub-dimensions (amounts spent on means-tested, contributory, flat-rate, earnings-related benefits) is not available on a cross-national basis. The only exception is the proportion of contribution-financing and of tax-financing of total social expenditure.

However, it seems plausible to assume that the proportion of contribution-financing is to a large extent related to the other sub-dimensions of the Bismarckian ideal-type. Conversely, tax-financing is related to other sub-dimensions of Beveridgean social policy. In France or in Germany, for instance, contributions are used almost exclusively to finance contributory, earnings-related benefits, while taxation provides the funds for universal and means-tested provision. The same principle is applied in other countries as well, albeit with less stringency. For instance, in the UK contributory benefits are not usually earnings related, and taxation and contributions are perceived almost as two interchangeable fiscal instru-

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ments. In this respect, it should be noted that the use of the indicator 'contribution-financing as a proportion of social expenditure' seems to work better at the Bismarckian end of the spectrum. In particular, since contribution-financed programmes in Britain and in Nordic countries do not share the other features of Bismarckian social policy, it seems that the indicators used here tend to overemphasise the importance of the actual Bismarckian component in these welfare states.

However, bearing in mind this limitation, it seems that given the current availability of data, the proportion of contribution-financing is the best approximation of the size of the Bismarckian component in a welfare state. Conversely, the proportion of social expenditure financed through taxation approximates the size of the Beveridgean component of a system.

The most striking feature of the diagram in Figure 1 is the correspondence between the four quadrants and the geographic position of the countries. The Nordic countries are in the top-left quadrant; continental European welfare states are in the top right-hand quadrant. Britain and Ireland are in the bottom left-hand quadrant; while southern European countries (and Switzerland)[3] can be found in the bottom right quadrant. This picture also reflects the most widely used classifications of welfare states. With a few exceptions (Switzerland, the Netherlands, Belgium and Finland) the first three quadrants correspond to Esping-Andersen's three clusters (the exceptions are border-line cases). The fourth quadrant, which includes southern European welfare states, corresponds to the fourth category which has been suggested by Abrahamson (1991) and Leibfried (1992).

Consequently, four ideal-types of welfare state can be identified, each corresponding to one quadrant of the diagram. Beveridgean/high-spending welfare states (top right-hand quadrant) guarantee a high level of coverage to the whole population. In the bottom left-hand quadrant, Beveridgean/low-spending systems also cover the whole population, but guarantee a lower level of protection and make more use of means-tested provision. On the right-hand side of the diagram Bismarckian welfare states can be found. Again, there are two possible outcomes in terms of the level of expenditure. High spenders such as France or Germany end up in the top right-hand quadrant, while low spenders such as Greece or Spain are in the bottom right-hand quadrant.

As in every classification, there are cases which are mixed or difficult to define. Coincidentally, there are a number of mixed cases here, each one between two of the four types identified above. Luxembourg is a high spender, with equal emphasis on Bismarckian and Beveridgean social policy; Portugal and Switzerland are in a similar situation, but at the bottom

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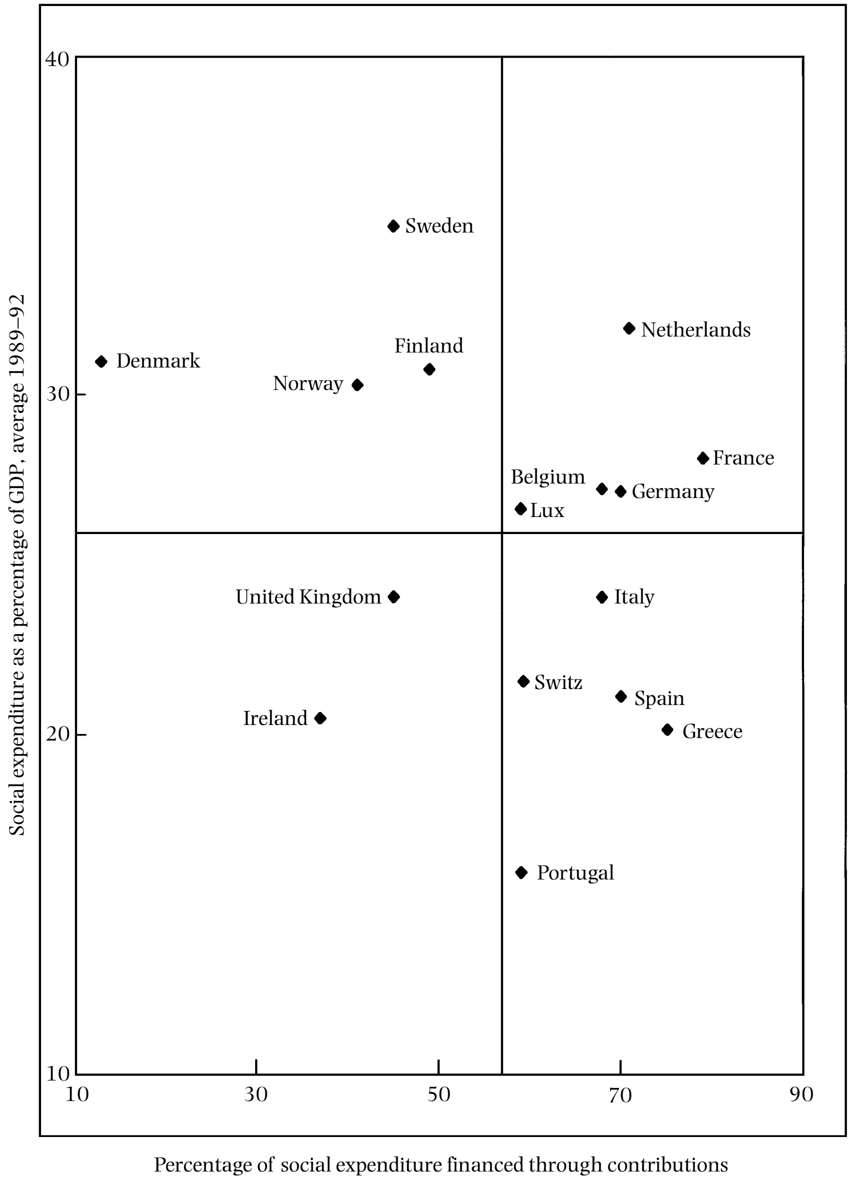

Figure 1. European welfare states (16), according to two dimensions.
Source: Recalculation of data from Eurostat 1995; Nordic Statistical Office, 1995; Fluckiger and Cordero, 1995.

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in terms of spending. The UK and Italy are average spenders, but with more emphasis on Beveridgean and Bismarckian social policy respectively. The quantitative measures on which this classification is based make it possible to appreciate border-line cases without forcing them into only partially suitable categories. Italy, for instance, has features which are typical of the Bismarckian system, such as high expenditure on contributory earnings-related pensions, as well as elements typical of southern European welfare states, such as a strong reliance on the family.

In this respect, it seems appropriate not to consider the four quadrants as sealed clusters of totally different welfare states. In contrast, differences between welfare systems seem to be better understood as incremental and in terms of relative sizes of Bismarckian and Beveridgean provision. By implication, welfare states are not stuck in one particular point of the diagram but can move in different directions.

In the context of what has been argued above, this classification is able to reflect both the different levels of social protection provided by different European welfare states, and the way in which such a level of protection is provided, in terms of Bismarckian versus Beveridgean social policy. This second dimension has been chosen because it is believed to be relevant both in historical terms and with regard to current debates on the future of social protection. However, on the horizontal axis, other dimensions can be considered as well, depending on what one is interested in. The Beveridge–Bismarck dimension, in fact, is only one among a number of dimensions that, depending on the context, can possibly be taken into account. In recent years, other dimensions have attracted attention in comparative social policy. For instance, the position of women in different welfare states (Langan and Ostner 1991; Ginsburg, 1992; Lewis, 1993); the redistributive impact of different welfare states (O'Higgins *et al.*, 1990); and the degree to which resources are spent on active rather than on passive policies (Abrahamson, 1993, p. 125). These dimensions are all of great relevance to current debates on the future of state welfare and are not directly captured by any of the classifications reviewed above, including this two-dimension approach. In this respect, it seems that even a two-dimension approach still fails to capture much of the complexity involved in comparative social policy. In fact, these dimensions (position of women, redistribution, active expenditure) can be used in conjunction with the 'quantity' dimension to create different types of two-dimension classifications.

There are, however, a number of reasons to include the Beveridge–Bismarck dimension in a classification of European welfare states. First it is indirectly related to a number of other non-quantitative dimensions.

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For instance, Bismarckian social insurance typically penalises women, since it assumes continuous careers without interruption, whereas schemes in which entitlement is not dependent on work discriminate less against women. It should be noted, however, that this observation refers to an ideal-type of Bismarckian provision. In fact, in some cases, significant steps have been taken to improve the position of women within the social insurance system. Most notably these measures include the use of contribution credits for years spent rearing a child, the availability of maternity leave, and (free) child care facilities. In this sense, a Bismarckian welfare state should not be considered *a priori* more disadvantageous for women than a Beveridgean one. The comparison of France and Germany is instructive in this respect. The position of women, and the possibility of reconciling work and family life, is taken into account more extensively in France than it is in the case in Germany (Lewis, 1993, p. 15), in spite of the fact that the structure of both systems is generally characterised as Bismarckian.

Second, Bismarckian social insurance is less vertically redistributive than tax-financed means-tested or universal provision. In Bismarckian social insurance, redistribution takes place mainly horizontally, between people of similar levels of income who are affected differently by the risk in question (Baldwin, 1990). This is due to the financing of Bismarckian social insurance, to its contributory nature and to the fact that it grants earnings-related benefits. Unlike income tax, which is progressive, social insurance contributions are either proportional (i.e., contributors have to pay the same proportion of their salary, regardless of their income) or even regressive (i.e., the higher the income, the lower the proportion of it paid in contributions) because of the existence of ceilings (European Commission, 1993, pp. 88–92). The fact that entitlement is contributory makes sure that the funds collected will not benefit individuals outside the 'contribution-payer' community. Finally, earnings-related benefits also reduce the amount of vertical redistribution performed by social insurance. This observation reflects the findings of cross-national research on income redistribution which have shown, for instance, that the German welfare state is less redistributive than its British and even American counterparts (O'Higgins *et al.*, 1990).

Third, analysis focusing on the Beveridge–Bismarck dimension jointly with a quantitative measure (social expenditure as a proportion of GDP), is able to account simultaneously for two important developments of European welfare states, both with regard to the history of social policy and to current change. These developments relate to the movements of expansion/contraction of state welfare and to convergence/divergence in

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the organisation of welfare. In the next section I will examine these developments.

TRENDS IN WELFARE STATE DEVELOPMENT

Developments and debates on the two dimensions discussed here are relevant to the analysis of social policy, both in the past and in the present. Ideally, especially in relation to the evolution of welfare states, it would be interesting to look at how European welfare states have moved in the diagram (Figure 1) over the last century. Unfortunately, however, cross-national data on contribution financing as a proportion of total social expenditure is not available over such a long time span and a quantitative analysis is not possible to date. However, the movements on the two dimensions can be considered on a qualitative basis, especially in relation to the Beveridge–Bismarck dimension. This is also the case, inevitably, and not because of lack of data, when the model is applied to current debates.

The expansion of welfare states, i.e., the upward movement on the quantitative dimension, has been widely documented and analysed.[4] In an influential work, Wilensky (1975), on the basis of an empirical analysis covering sixty-four countries, found that 'economic growth is the ultimate cause of welfare state development' (ibid., p. 24), measured as the proportion of GDP spent on social programmes. Though, he acknowledges, demographic factors also play an important role in determining the level of social protection, as well as other factors such as the age of the system and the 'national differences in values and beliefs' (ibid., p. 29).

Other authors have concentrated more on the role played by the working class through the labour movement and through left-wing political parties in welfare state building (Korpi, 1983; Esping-Andersen, 1985, 1990). According to this view, the level of social protection granted by a welfare state depends on the mobilising capacity of the working class, which, because of its position in a capitalist economy, has an interest in the adoption of generous social policies. Mobilised working-class interests are represented at the political level by social-democratic parties, which, when they accede to power, can prompt the adoption of generous, universalist social policies and thereby decommodify wage earners. Esping-Andersen found a positive correlation between the strength of the labour movement, measured in terms of strength of left-wing parties, their participation in government and rates of unionisation of the workforce on the one hand, and the level of decommodification provided by welfare states on the other hand (Esping-Andersen, 1990, pp. 134–7). Castles (1982, p. 85) found a significant negative correlation between the strength of right-wing parties, and the level of social expenditure.

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The link between the level of economic development and the level of social expenditure is relatively widely accepted, although there are some important exceptions (such as the US and Switzerland). This explanation seems relatively strong in terms of macro tendencies in social expenditure. However, it does not help much when it comes to account for relatively significant differences in social expenditure between countries of similar levels of economic development. Countries in the upper half of the diagram have reached similar levels of economic development, and yet there are important differences in their rates of social expenditure.

These variations require a political explanation. Countries which have experienced long periods of social-democratic hegemony, especially during the post-war long boom (Nordic countries), tend to be high spenders on welfare. However, it seems that while the political explanation works well for the left-hand side of the diagram, the same does not occur among predominantly Bismarckian welfare states (right-hand side). Here the disposition of countries seems to be better explained in terms of economic development. A combination of economic and political explanations, thus, seems to account satisfactorily for the position of welfare state along the expenditure dimension.

In contrast, it seems more difficult to account for developments and for the current position of welfare states on the second dimension considered here. Helpful analyses in this context are the works by Baldwin (1990) and by Ferrera (1993), which analyse the developments of the European welfare states by looking at the evolution of their structure rather than at their levels of provision, and focus on some of the criteria which are used here to distinguish between Beveridgean and Bismarckian social policy.[5]

Baldwin, for instance, concentrates on the level of risk-reapportionment involved in social insurance schemes. His general hypothesis is that groups which perceive their position as insecure are more likely to accept to be included in highly risk-redistributive arrangements.[6] Consequently, universalist social policy developed in countries which, at the time of its introduction, were characterised by relatively homogenous levels of perceived risk exposure, so that the inclusion of different groups into a single plan could be achieved without forcing relatively strong groups to share their resources with less fortunate ones. One example he gives is the contrast between Scandinavian and continental European farmers at the beginning of this century. Scandinavian agriculture was mainly based on small size farming, and farmers there were suffering the consequences of mechanisation and improved transport, which made competition harsher. As a result, Nordic farmers supported universalism so as to be protected against social risks. In contrast, because continental European

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agriculture was based more on large farms, farmers there did not feel the same sort of insecurity which convinced their Nordic counterparts to support universalism. As a result, universalism was never seriously adopted as a policy in continental Europe, and it is only in the 1970s that something approaching universal coverage (but through different schemes) was achieved there.

According to Baldwin, thus, the degree of socio-economic homogeneity is the main determinant of the direction taken by social policy. Important cleavages in the capacity for self-reliance in continental Europe made universalism politically unfeasible. In contrast, Bismarckian social insurance, because of its contributory character and its occupational segmentation, reduced the pool across which redistribution occurs to small, actuarially homogeneous, communities,[7] which would not accept being part of all-inclusive arrangements.

Socio-economic homogeneity is considered a factor favouring universalism also by Ferrera (1993). However, he argues, other determinants should be taken into account as well in explaining the divergence between the two models of welfare. In particular, cultural homogeneity did also favour the development of universal arrangements. In homogeneous Protestant countries the precedent of the Poor Laws, which were administered by the state, provided coverage (potentially) for the whole population and constituted a fertile ground for Beveridgean universalism. In contrast, in continental Europe, the struggle between the state and the Catholic Church and between different religious traditions for primacy in the field of social intervention proved to be an obstacle to all-inclusive arrangements and made occupationalism an easier option (ibid., pp. 123–36). The case of Ireland, which in relation to religion represents an exception in both Ferrera's classification and in the diagram in Figure 1, is explained with reference to the fact that it was part of the United Kingdom until 1922, and thus followed the same path as far as the initial developments are concerned (ibid., pp. 93–4).

Both explanations seem convincing in their ability to account for the distribution of European welfare states across the Beveridge–Bismarck dimension. Socio-economic and cultural homogeneity seem to be powerful factors in determining the horizontal position of European countries in Figure 1. However, bearing in mind the particular motives behind the introduction of Bismarckian social insurance at the end of the nineteenth century, it seems appropriate to include a political dimension in this analysis. Bismarckian social reforms were a response to the challenge represented by the emerging labour movement, which was being relatively strongly repressed at that time. Together with the main social

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insurance schemes, Bismarck introduced legislation which banned workers' organisations with political aims (Alber, 1986). By being targeted on a particular group (industrial employees), Bismarckian social insurance was an effective instrument to improve their position, and, as a result, reduce their inclination to challenge the established social order. The channelling of resources on the group which was perceived as most dangerous meant that higher cost-effectiveness could be expected than in the case of an all-inclusive arrangement.

The political explanation seems to work better in the case of Germany than in other societies. For instance, in post-war France and Italy, non-left-wing governments attempted to introduce universal social protection modelled after the Beveridge report, but failed, to a large extent, because of the opposition of groups which were already covered by satisfactory arrangements or did not perceive their position as insecure enough to join an all-inclusive arrangement, such as civil servants or the self-employed (Saint-Jours, 1982; Ferrera, 1993). In this respect, socio-economic factors seem to account for the failure of universalist reform in France and in Italy.

What seems clear, however, is the fact that decisions made more than a century ago are still exerting their influence on the current shape of welfare states (Merrien, 1990), in particular in so far as the indicator used here is concerned. Countries which started in the Bismarckian direction still rely significantly more on contributions for the financing of their welfare state than countries which adopted the universalist option. Despite the movement of convergence which has occurred over the last decades (Chassard and Quentin, 1992), it seems that the tension between the two original models of social protection is still affecting debates on welfare in a number of European countries.

CURRENT DEBATES

European welfare states have been going through a major policy crisis since the mid-1970s. The main features of this crisis are well known: declining rates of economic growth, rising rates of unemployment, shifts in demographic and family structures, rising public expectations, etc. (George and Taylor-Gooby, 1996). In relation to the two-dimension approach discussed above, the analysis of the current crisis has been concerned mainly with the 'quantity' dimension of social policy. The problem is seen basically in terms of the non-correspondence between the demand for social provision and the ability of governments to finance rising levels of social expenditure (George and Miller, 1994). This is the case namely in the Anglo-Saxon tradition of social policy analysis as well as in the stance taken by international agencies such as the OECD.

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In some countries, however, debates are concerned also with the second dimension considered. Most notably, this is the case in countries such as France and Denmark, which are located at the extremes of the Beveridge–Bismarck axis. In these countries, there are pressures towards convergence coupled with a greater or lesser resistance to these pressures.

In France, for instance, the government, supported by the Socialist opposition and by a significant number of academics, experts, etc. is envisaging a shift away from a predominantly Bismarckian system to one in which Beveridgean provision would play a larger role. The reasons behind these plans are two-fold. First, it is widely accepted in France that the high level of employer's contributions is an obstacle to job creation, since it inflates the cost of labour. In this respect, a shift in financing in the direction of tax-financing is seen as a means to fight unemployment. Second, the existence of relatively large groups, in particular the young and long-term unemployed, who do not have access to the social insurance system because of its contributory nature, is also seen as a reason for developing schemes in which entitlement is based on residence (and possibly need) rather than on a contribution record. However, moves in the direction of a more Beveridgean welfare state are opposed by the trade unions, whose interests are best served by the present predominantly Bismarckian system (Bonoli and Palier, 1995; Palier and Bonoli, 1995; Rosanvallon, 1995).

Interestingly, the recent reform plan of the social security system presented by Alain Juppé in November 1995 takes up this theme by announcing the tabling of a constitutional amendment which would bring the social insurance system under the control of parliament, instead of the social partners (*Le Monde*, 16 Dec. 1995). Such a change will entail a major departure from the current model, including a shift of financing from contributions to general taxation.

Other countries in which state welfare is based mainly on Bismarckian social insurance are experiencing the same kind of debate. In Germany, the left (SPD) has been calling for the introduction of basic schemes, which would guarantee coverage to those who do not have access to social insurance, especially pensioners. In Switzerland, the impact of employer/employee contributions on employment is recognised as an issue (Flückiger and Cordero, 1995), as well as the inadequacy of social insurance to deal with problems of youth and long-term unemployment (Rossi and Sartoris, 1995).

At the other end of the spectrum, Denmark is among the countries in which the Bismarckian-type reforms of the 1950s and 1960s have not been fully implemented (Baldwin, 1990). As a result, today Denmark does not have a compulsory earnings-related pension scheme. Not

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surprisingly, there are strong pressures to introduce a compulsory system of occupational pension funds, which would be financed through employer/employee contributions and thus closely reflect the principles of Bismarckian social policy (Petersen, 1991, p. 256).

In these countries, the debate on social policy seems to be centred on the 'how' dimension of social policy at least as much as it is centred on its 'how much' dimension. This is understandable, since the tension between the two ideal-types of social policy has been constant in the history of welfare states. In particular, it seems that this tension is strongest in those countries which did not achieve significant convergence by adopting features of the other model, most notably in France, Germany and Denmark.

CONCLUSION

In order to understand the development and the current debates on welfare states, it is essential to take into account the multidimensional nature of social policy. Analysis based only on a single dimension fails to reflect much of the complexity involved in the adoption and reform of social policies. In this respect, the two-dimension classification suggested in this paper makes possible a distinction between two different dimensions, which can nonetheless be simultaneously apprehended.

The advantage of such an approach lies in its ability to distinguish between two different developments in social policy, the (possible) convergence towards a median model of social protection, and the expansion or contraction of overall welfare provision. This is arguably relevant in historical terms, in so far as it permits the identification of the forces behind each of the two developments independently. Moreover, in relation to the debate on convergence, the analysis of current developments in European social policy in relation to the two dimensions considered here, might prove useful in identifying current trends, and in particular if these converge towards the centre (or any other point) of the diagram in Figure 1.

One of the main implications of the two-dimension classification of welfare states, and of the underlying understanding of social policy, is the non-comparability in quantitative terms of welfare states based on different models. It has been argued that Bismarckian and Beveridgean social policies are not only two different kinds of social policy: they are two different policies, because their objectives are different. Both policies can be measured in quantitative terms, but the result will fail the test of comparability, since in one case we will have a measure of a country's effort put into poverty prevention and in the other case the measure will

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tell us how much is spent for the purpose of income maintenance. As a result, Germany's social expenditure does not have the same meaning of the same indicator in, say, Denmark, because different proportions of the total are spent for different objectives in these two countries.

This conclusive point raises the issue of comparability in social policy and emphasises the need for research into the definition of concepts which are used in cross-national comparisons. The simple comparison of economic indicators can be misleading since they sometimes refer to different things in different countries. In this respect a two-dimension approach is able to capture (some) qualitative differences between welfare states without missing the differentials in quantitative terms.

NOTES

1 On the distinction between different dimensions in social policy research see Ferrera (1993, pp. 11, 318).

2 This criticism of Esping-Andersen's approach refers only to his analysis in terms of decommodification. The identification of welfare regimes does include a qualitative dimension as well.

3 Switzerland seems to be an exception in this classification, given its low rate of expenditure. This might be due to the fact that the figures provided by the Swiss statistical office may not be comparable with those given by Eurostat (Flückiger and Cordero, 1995).

4 Here I cover only the most influential explanations of the level of social protection granted by different welfare states. For an accurate discussion of these theories see Pierson (1991) or Uusitalo (1984).

5 More specifically, Ferrera focuses on the coverage model (see above) and Baldwin on the issues of universality, contribution versus tax-financing, and flat-rate versus earnings-related benefits (1990, pp. 51–2).

6 Much of Baldwin's argument is based on an understanding of social insurance schemes as risk-redistributive only, as opposed to income redistributive. A weakness in his approach is arguably the fact that he does not support this claim with empirical evidence (1990: 19).

7 Occupational fragmentation of social protection schemes is particularly strong in countries like France or Germany. In France, for instance beside a *régime général* which covers employees in industry and commerce, there are a number of health insurance schemes and pensions catering for other occupational groups such as farmers, civil servants, miners, rail workers, etc. Similarly, the German pension system consists of five main schemes for manual workers (*Arbeiter*), white collars (*Angestellten*), farmers, civil servants and miners.

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